

Carat Interactive Limited
(Registered Number: 3148086)

Directors' report and accounts

31 December 2000



Carat Interactive Limited

Directors' report for the year ended 31 December 2000

The Directors present their report together with the audited accounts of the Company for the year ended 31 December 2000.

Principal activity, business review and future developments

The principal activity of the Company continues to be the placement of interactive advertising. The Directors are satisfied with the growth in turnover and profit during the year and anticipate continuing improvement in 2001.

Results and dividend

The Company made a profit for the financial year of £144,260 (1999 - £69,209). The Directors do not propose the payment of a dividend (1999 - £Nil).

Fixed assets

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

Payment of suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms subject to the terms and conditions being met by the supplier. As at 31 December 2000 trade creditors were equivalent to 205 days of average purchases during the year (1999 – 198 days).

Directors and their interests

The Directors who served during the year, together with their interests and options in the share capital of the ultimate holding company, Aegis Group plc, at the beginning and end of the year are shown in Note 19 to the accounts.

Carat Interactive Limited

Directors' report for the year ended 31 December 2000 (Continued)

Statement of Directors' responsibilities

Company law requires the Directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

John L. Foster
Secretary



4 June 2001

Auditors' report to the members of Carat Interactive Limited

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of Directors and auditors

The directors are responsible for preparing their report including, as described on page 2, for preparing the accounts in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Auditors' report to the members of
Carat Interactive Limited** (Continued)

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
1 Embankment Place
London
WC2N 6NN

4 June 2001

Carat Interactive Limited

Profit and loss account For the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Turnover	1d	8,816,923	2,546,557
Cost of sales		(7,515,416)	(2,043,828)
Gross profit		1,301,507	502,729
Administrative expenses		(1,152,239)	(414,000)
Operating profit	2	149,268	88,729
Interest receivable and similar income	5	60,676	-
Interest payable and similar charges	6	(115)	(650)
Profit on ordinary activities before taxation		209,829	88,079
Tax on profit on ordinary activities	7	(65,569)	(18,870)
Profit for the financial year		144,260	69,209

All amounts relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2000

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

Note of historical cost profits and losses for the year ended 31 December 2000

There is no difference between the reported profit for the financial year and that on an historical cost basis.

The notes on pages 7 to 14 form an integral part of these accounts.

Carat Interactive Limited

Balance Sheet - 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible fixed assets	8	21,935	5,402
Current assets			
Debtors	9	1,384,824	841,702
Cash at bank and in hand		2,602,605	117
		3,987,429	841,819
Creditors : amounts falling due within one year	10	(4,653,391)	(1,635,508)
Net current liabilities		(665,962)	(793,689)
Net liabilities		(644,027)	(788,287)
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	(644,127)	(788,387)
Equity shareholders' funds		(644,027)	(788,287)

Approved by the Board on 4 June 2001



R M Wheaton
Director



R A Horler
Director



J L Foster
Director

The notes on pages 7 to 14 form an integral part of these accounts.

Carat Interactive Limited

Notes to the accounts - 31 December 2000

1 Accounting policies

The principal accounting policies are as follows:

(a) Basis of accounting

The accounts 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 original historical 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 calculated on taxable profits at the current rate.

Deferred taxation represents the amount required to account for the tax effect of depreciation and certain other items of income and expense being attributable for tax purposes to periods different from those in which they are recorded in the accounts. It is computed using the liability method, whereby it is determined by applying 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 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. Turnover is principally earned in the United Kingdom.

Carat Interactive Limited

Notes to the accounts - 31 December 2000

(e) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. Assets acquired under finance leases and hire purchase agreements are capitalised at the present value of the minimum lease rentals payable during the lease term and are depreciated on a basis consistent with other fixed assets. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a constant periodic rate of charge basis.

All other leases are treated as "operating leases". The annual rentals are charged to the profit and loss account over the lease term.

(f) Pensions costs

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

2 Operating profit

Operating profit is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets - owned	5,689	15,036
- leased	-	2,743
Auditors' remuneration - audit services	5,250	1,750
Staff costs (see Note 3)	825,411	257,257

3 Staff costs

Particulars of employees (including Directors) are shown below:

(a) Employee costs during the year amounted to:

	2000 £	1999 £
Wages and salaries	729,073	234,855
Social security costs	78,161	22,402
Other pension costs	18,177	-
	825,411	257,257

Carat Interactive Limited

Notes to the accounts - 31 December 2000

- (b) The average weekly number of persons employed by the Company during the year was 19 (1999 - 7).
- (c) Retirement benefits are accruing to 2 of the Directors under defined contribution schemes (1999 - Nil.)

4 Directors' remuneration

The employee costs shown above include emoluments in respect of Directors of the Company as follows:

	2000 £	1999 £
Emoluments	161,164	61,335
Pension contributions	10,385	-
	<u>171,549</u>	<u>61,335</u>

The highest paid Director's remuneration included:

	2000 £	1999 £
Emoluments	89,028	61,335

5 Interest receivable and similar income

	2000 £	1999 £
Interest receivable from other group companies	60,676	-

6 Interest payable and similar charges

	2000 £	1999 £
Other interest payable	115	650

Carat Interactive Limited

Notes to the accounts - 31 December 2000

7 Tax on profit on ordinary activities

	2000 £	1999 £
Corporation tax at 30% (1999: 30.25%)	65,569	27,374
Adjustment in respect of prior years	-	(8,504)
	65,569	18,870

8 Tangible fixed assets

	Fixtures And fittings £	Office equipment £	Total £
Cost			
At 1 January 2000	6,112	71,531	77,643
Additions	19,414	2,808	22,222
Disposals	-	-	-
At 31 December 1999	25,526	74,339	99,865
Depreciation			
At 1 January 2000	2,561	69,680	72,241
Charge for the year	3,224	2,465	5,689
Disposals	-	-	-
At 31 December 2000	5,785	72,145	77,930
Net book value			
At 31 December 2000	-	19,741	2,194
At 31 December 1999	-	3,551	1,851

Carat Interactive Limited

Notes to the accounts - 31 December 2000

9 Debtors

	2000 £	1999 £
Trade debtors	695,324	688,569
Amounts owed by other group companies	490,277	143,692
Prepayments and accrued income	196,438	6,716
Other debtors	2,785	2,725
	<u>1,384,824</u>	<u>841,702</u>

10 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft	-	10,936
Trade creditors	4,212,429	1,108,275
Amounts owed to other group companies	6,736	411,105
VAT payable	70,432	52,741
Other creditors	1,652	3,205
UK corporation tax payable	58,257	17,535
Accruals and deferred income	303,885	31,711
	<u>4,653,391</u>	<u>1,635,508</u>

11 Called-up share capital

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Carat Interactive Limited

Notes to the accounts - 31 December 2000

12 Profit and loss account

	£
At 1 January 2000	(788,387)
Profit for the financial year	144,260
At 31 December 2000	(644,127)

13 Reconciliation of movement in shareholders' funds for the year ended 31 December 2000

	2000 £	1999 £
Profit for the financial year	144,260	69,209
Equity shareholders' funds, beginning of year	(788,287)	(857,496)
Equity shareholders' funds, end of year	(644,027)	(788,287)

14 Ultimate holding company

The Company's immediate holding company is Carat Group UK Limited, a company registered in England. The ultimate holding company is Aegis Group plc, a company also registered in England.

The smallest group in which the results of the Company are consolidated is that headed by Carat Group UK Limited.

The largest group in which the results of the Company are consolidated is that headed by Aegis Group Plc. The consolidated accounts of Aegis Group plc are available to the public and may be obtained from 43-45 Portman Square, London, W1H 6LY.

15 Related party transactions

The Company has taken advantage of the exemption granted under FRS 8 not to disclose related party transactions with fellow subsidiaries due to the fact that it meets the criteria of a 90% subsidiary as defined by FRS 8.

There were no other related party transactions during the year.

Carat Interactive Limited

Notes to the accounts - 31 December 2000

16 Statement of cash flows

The accounts of Aegis Group plc for the year ended 31 December 2000 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.

17 Financial support

The Company is in a net liability position. The immediate holding company has indicated its intention to provide sufficient financial support to the Company to enable it to meet its liabilities for the forthcoming year.

18 Guarantees

The Company is party to a 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.

Carat Interactive Limited

Notes to the accounts - 31 December 2000

19 Directors' interests

The Directors of the Company who served during the year and their interests in the 5p ordinary shares of Aegis Group plc, at the beginning and end of the year are shown below.

	2000	1999
M.R.B. Craze	-	-
J.L. Foster	-	-
R.A. Horler (appointed 20 March 2000)	-	-
R.M. Wheaton	-	-
A.R. Baker (resigned 14 April 2000)	-	-
M.P. Jamison (resigned 01 March 2000)	-	-

Ordinary shares of 5p 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 Period	Exercised During the year	Expired/ lapsed during year	Options Held at end of year	Exercise price	Date From which Exercisable	Expiry Date
A.R. Baker	25,000	-	25,000	-	0	98.75	02.06.2001	01.06.2008
	25,000	-	25,000	-	0	121.50	17.03.2002	16.03.2009
M.R.B. Craze	149,020	-	149,020	-	0	63.75	08.07.2000	07.07.2007
	1,000,000	-	-	-	1,000,000	87.00	15.05.2001	14.05.2004
	111,392	-	-	-	111,392	98.75	02.06.2001	01.06.2008
	99,588	-	-	-	99,588	121.50	17.03.2002	16.03.2009
	-	183,793	-	-	183,793	145.00	18.04.2003	17.04.2010
J.L. Foster	25,000	-	-	-	25,000	98.75	02.06.2001	01.06.2008
	25,000	-	-	-	25,000	121.50	17.03.2002	16.03.2009
	-	30,000	-	-	30,000	145.00	18.04.2003	17.04.2010
R.A. Horler	-	25,000	-	-	25,000	145.00	18.04.2003	17.04.2010
M.P. Jamison	79,216	-	-	-	79,216	63.75	08.07.2000	07.07.2007
	73,139	-	-	-	73,139	98.75	02.06.2001	01.06.2008
	63,605	-	-	-	63,605	121.50	17.03.2002	16.03.2009
	-	58,620	-	-	58,620	145.00	18.04.2003	17.04.2010
R.M. Wheaton	-	25,000	-	-	25,000	145.00	18.04.2003	17.04.2010

Share options of Aegis Group plc were issued in 1993 at 30p per share option. This option price was subsequently adjusted to 29.3p per share following the refinancing of Aegis Group plc.

The middle market price of the shares at 31 December 2000 was 138p and the range during 2000 was 126p to 255.75p.

Carat Limited

Notes To The Accounts

20 Directors' Interests (Continued)

	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
C.O.C. Jepson	25,000	-	-	25,000	63.75p	8.7.00	7.7.07
	25,000	-	-	25,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
G. M. Jones	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
N.S. Jones	32,252	-	-	32,252	29.30p	5.5.96	4.5.03
	20,000	-	-	20,000	52.00p	2.7.01	1.7.06
	30,000	-	-	30,000	63.75p	8.7.00	7.7.07
	50,000	-	-	50,000	98.75p	2.6.01	1.6.08
	50,000	-	-	50,000	121.5p	17.3.02	16.3.09
	-	46,551	-	46,551	145p	18.4.03	17.4.10
T.M. Kirkman	1,500	-	-	1,500	28.50p	25.5.97	24.5.04
	25,000	-	-	25,000	63.75p	8.7.00	7.7.07
	25,000	-	-	25,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	30,000	-	30,000	145p	18.4.03	17.4.10
C.J. Mills	30,000	-	(30,000)	-	63.75p	8.7.00	7.7.07
	500,000	-	-	500,000	87.00p	15.5.01	14.5.04
	55,696	-	-	55,696	98.75p	2.6.01	1.6.08
	57,613	-	-	57,613	121.5p	17.3.02	16.3.09
	-	62,068	-	62,068	145p	18.4.03	17.4.10
D.C. Peters	9,215	-	(9,215)	-	29.30p	5.5.96	4.5.03
	1,000	-	-	1,000	28.50p	25.5.97	24.5.04
	25,000	-	-	25,000	63.75p	8.7.00	7.7.07
	25,000	-	-	25,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
P.J. Reddaway	24,038	-	-	24,038	52.00p	2.7.01	1.7.06
	30,000	-	(11,914)	18,086	63.75p	8.7.00	7.7.07
	50,000	-	-	50,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
M. Rees	-	25,000	-	25,000	145p	18.4.03	17.4.10
A. Sullivan	-	25,000	-	25,000	145p	18.4.03	17.4.10

The middle market price of the shares at 31 December 2000 was 138 pence and the range during 2000 was 129 to 255.75 pence.

Five Directors exercised share options during the year.

Carat Limited

Notes To The Accounts

20 Directors' Interests (Continued)

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. Abrahams	-	25,000	-	25,000	145p	18.4.03	17.4.10
A. Altman	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
A. Bailey	-	25,000	-	25,000	145p	18.4.03	17.4.10
J. Bean	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
M. Beese-Jarvis	25,000	-	-	25,000	63.75p	8.7.00	7.7.07
	25,000	-	-	25,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	30,000	-	30,000	145p	18.4.03	17.4.10
D. J. Benedict	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
J. Biggam	25,000	-	-	25,000	121.5p	16.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
J Blake	-	25,000	-	25,000	145p	18.4.03	17.4.10
M.R. Cass	25,000	-	(25,000)	-	63.75p	8.7.00	7.7.07
	50,000	-	-	50,000	98.75p	2.6.01	1.6.08
	25,000	-	-	25,000	121.5p	17.3.02	16.3.09
	-	25,000	-	25,000	145p	18.4.03	17.4.10
N. Mahon-Connolly	-	25,000	-	25,000	145p	18.4.03	17.4.10
W. Corke	-	25,000	-	25,000	145p	18.4.03	17.4.10
M.R.B. Craze	149,020	-	(149,020)	-	63.75p	8.7.00	7.7.07
	1,000,000	-	-	1,000,000	87.00p	15.5.01	14.5.04
	111,392	-	-	111,392	98.75p	2.6.01	1.6.08
	99,588	-	-	99,588	121.5p	17.3.02	16.3.09
	-	183,793	-	183,793	145p	18.4.03	17.4.10
J.L. Foster	25,000	-	-	25,000	98.75p	2.6.01	1.6.08
	25,000	-	-	45,319	121.5p	17.3.02	16.3.09
	-	30,000	-	30,000	145p	18.4.03	17.4.10
P. Goldberg	-	25,000	-	25,000	145p	18.4.03	17.4.10

Carat Limited

Notes To The Accounts

20 Directors' Interests

The Directors of the Company who served during the year and their interests 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.

	31 December 2000 Shares	31 December 1999 Shares
G.S. Abrahams	-	-
A. Altman	-	-
A Bailey (appointed 15 March 2000)	-	-
J. Bean	-	-
M. Beese-Jarvis	6,693	6,693
D.J. Benedict	-	-
J. Biggam	-	-
J. Blake (appointed 27 June 2000)	-	-
M.R. Cass	-	-
M.R.B. Craze	-	-
J.L. Foster	-	-
P Goldberg (appointed 27 June 2000)	-	-
C.O.C. Jepson	-	-
G.M. Jones	-	-
N.S. Jones	-	-
T.M. Kirkman	-	-
N. Mahon-Connolly (appointed 11 November 2000)	-	-
C.J. Mills	-	-
D.C. Peters	1,132	464
P.J. Reddaway	11,880	11,880
M. Rees (appointed 25 April 2000)	-	-
A. Sullivan (appointed 29 February 2000)	-	-
A.R. Baker (resigned 14 April 2000)	-	-
B.A. Barker (resigned 8 July 2000)	-	-
W Corke (resigned 11 January 2001)	-	-
K. Glynn (resigned 13 October 2000)	-	-
M.P. Jamison (resigned 27 June 2000)	-	-