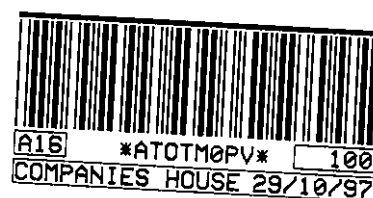


**CARAT INTERACTIVE LIMITED**  
**(Registration Number : 3148086)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1996**



## **CARAT INTERACTIVE LIMITED**

### **DIRECTORS' REPORT - 31 DECEMBER 1996**

The directors present their report together with the audited financial statements of the company for the period from the date of incorporation, 18 January 1996 to 31 December 1996.

#### **INCORPORATION**

The company was incorporated on 18 January 1996 under the name 3048<sup>th</sup> Single Member Shelf Trading Company (No. 3148084) Limited. On 16 February 1996 the company passed a Special Resolution to change its name to Carat Interactive Limited.

#### **PRINCIPAL ACTIVITY**

The company commenced trading on 16 February 1996. The principal activity of the business is the placement of interactive advertising.

#### **RESULTS AND DIVIDENDS**

The loss on ordinary activities after taxation for the period was £495,229 which has been transferred from reserves. The directors do not propose the payment of a dividend.

#### **FIXED ASSETS**

The changes in fixed assets during the year are summarised in note 7 to the financial statements.

#### **PAYMENT OF SUPPLIERS**

The company agrees terms and conditions for their business transactions with its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

#### **DIRECTORS AND THEIR INTERESTS**

The directors of the company who served since incorporation and their interests and options in the ordinary shares of the ultimate parent undertaking, Aegis Group plc, at the beginning and end of the period are shown in Note 17 of the financial statements.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period 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 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, 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.

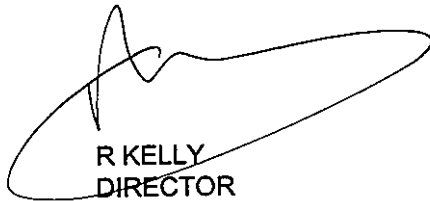
**CARAT INTERACTIVE LIMITED**

**DIRECTORS' REPORT - 31 DECEMBER 1996**

**AUDITORS**

Price Waterhouse were appointed as auditors of the company on 4 July 1997 and have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



R KELLY  
DIRECTOR

18th October 1997

*Price Waterhouse*



## AUDITORS' REPORT TO THE MEMBERS OF CARAT INTERACTIVE LIMITED

We have audited the financial statements on pages 4 to 13 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 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors

15/10/ 1997

**CARAT INTERACTIVE LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD FROM 18 JANUARY 1996 TO 31 DECEMBER 1996**

	Period ended 31 December <u>1996</u> £
<b>TURNOVER</b> (Note 1d)	239,714
Cost of sales	<u>(59,919)</u>
<b>GROSS PROFIT</b>	179,795
Administrative expenses	<u>(901,950)</u>
<b>OPERATING LOSS</b> (Note 2)	(722,155)
Interest payable and similar charges (Note 5)	<u>(16,993)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(739,148)
Tax credit on profit on ordinary activities (Note 6)	<u>243,919</u>
<b>LOSS ON ACTIVITIES AFTER TAXATION AND AMOUNTS TRANSFERRED FROM RESERVES</b> (Note 13)	<u>(495,229)</u>

There are no operations that were discontinued by the company during the period.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 31 DECEMBER 1996**

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

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE PERIOD ENDED 31 DECEMBER 1996**

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

The notes on pages 6 to 13 form an integral part of these financial statements.

**CARAT INTERACTIVE LIMITED**

**BALANCE SHEET - 31 DECEMBER 1996**

	<u>1996</u> £
<b>FIXED ASSETS</b>	
Tangible assets (Note 7)	<u>179,011</u>
<b>CURRENT ASSETS</b>	
Debtors (Note 8)	426,073
Cash at bank and in hand	<u>656</u>
	426,729
<b>CREDITORS : Amounts falling due within one year (Note 9)</b>	<u>(1,011,228)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(584,499)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	(405,488)
<b>CREDITORS: Amounts falling due after more than one year (Note 10)</b>	<u>(89,641)</u>
<b>NET LIABILITIES</b>	<u><u>(495,129)</u></u>
<b>CAPITAL AND RESERVES</b>	
Called up share capital (Note 12)	100
Profit and loss account (Note 13)	<u>(495,229)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<u><u>(495,129)</u></u>

APPROVED BY THE BOARD ON 15/10 1997

  
M JAMISON  
DIRECTOR

The notes on pages 6 to 13 form an integral part of these financial statements.

## **CARAT INTERACTIVE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996**

#### **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 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 financial statements. 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 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 INTERACTIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 2 OPERATING LOSS

Operating loss is stated after charging:

	Period ended 31 December <u>1996</u> £
Depreciation of tangible fixed assets	57,643
Auditors' remuneration	500
Staff costs (see Note 3)	<u>444,357</u>

### 3 STAFF COSTS

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

#### (a) Staff costs during the year amounted to:

	Period ended 31 December <u>1996</u> £
Wages and salaries	375,909
Social security costs	36,774
Other pension costs	<u>31,674</u>
	<u>444,357</u>

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

	Period ended 31 December <u>1996</u>
Administrative staff	<u>8</u>



# CARAT INTERACTIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 3 STAFF COSTS (CONTINUED)

#### (c) Directors' remuneration

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

	Period ended 31 December 1996 £
Emoluments	208,060
Pension contributions	<u>12,169</u>
	<u>220,229</u>

The directors' remuneration (excluding pension contributions) included:

	Period ended 31 December 1996 £
Chairman	-
	<u>          </u>
Highest paid director	<u>119,971</u>

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

	Period ended 31 December 1996
£Nil - £5,000	2
£85,001 - £90,000	1
£115,001 - £120,000	1

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 1996 £
Interest payable to other group undertakings	9,717
Other interest payable	<u>7,276</u>
	<u>16,993</u>

# CARAT INTERACTIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the period and comprises:

	Period ended 31 December 1996 £
Corporation tax at 33%	<u>243,919</u>

### 7 TANGIBLE FIXED ASSETS

The movement in the period was as follows:

	<u>Motor vehicles</u> £	<u>Fixtures and fittings</u> £	<u>Computer equipment</u> £	<u>Total</u> £
<b>Cost</b>				
At 18 January 1996	-	-	-	-
Additions	71,806	41,350	153,800	266,956
Disposals	<u>-</u>	<u>-</u>	<u>(39,475)</u>	<u>(39,475)</u>
At 31 December 1996	<u>71,806</u>	<u>41,350</u>	<u>114,325</u>	<u>227,481</u>
<b>Depreciation</b>				
At 18 January 1996	-	-	-	-
Charge for the year	15,084	6,747	35,632	57,463
Disposals	<u>-</u>	<u>-</u>	<u>(8,993)</u>	<u>(8,993)</u>
At 31 December 1996	<u>15,084</u>	<u>6,747</u>	<u>26,639</u>	<u>48,470</u>
<b>Net book value</b>				
At 31 December 1996	<u>56,722</u>	<u>34,603</u>	<u>87,686</u>	<u>179,011</u>

Included in the net book value is £46,368 relating to assets held under finance leases.

# **CARAT INTERACTIVE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)**

### **8 DEBTORS**

	<u>1996</u> £
Trade debtors	133,778
Amounts owed by other group undertakings	248,661
Prepayments and accrued income	15,804
Other debtors	<u>27,830</u>
	<u>426,073</u>

### **9 CREDITORS: Amounts falling due within one year**

	<u>1996</u> £
Bank overdrafts	5,739
Trade creditors	39,681
Amounts owed to other group undertakings	809,238
VAT payable	390
Other creditors	17,661
Accruals and deferred income	86,683
Obligations under finance leases and hire purchase agreements	<u>51,836</u>
	<u>1,011,228</u>

### **10 CREDITORS: Amounts falling due after more than one year**

	<u>1996</u> £
Obligations under finance lease and hire purchase agreements	<u>89,641</u>

# **CARAT INTERACTIVE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)**

### **11 OBLIGATION UNDER FINANCE LEASES AND HIRE PURCHASE AGREEMENTS**

The maturity of these amounts is as follows:

	<u>1996</u> £
Amounts payable:	
Within one year	61,361
Between two and five years inclusive	<u>96,259</u>
	157,620
Less: Finance charges allocated to future periods	<u>(16,143)</u>
	<u>141,477</u>
Creditors - amounts falling due within one year	51,836
Creditors - amounts falling due after more than one year	<u>89,641</u>
	<u>141,477</u>

### **12 CALLED-UP SHARE CAPITAL**

	<u>1996</u> Equity £
Authorised:	
100 Ordinary shares of £1 each	<u>100</u>
Allotted, called-up and unpaid:	
100 ordinary shares of £1 each	<u>100</u>
During the period, 100 shares of £1 each were issued and allotted; consideration received was £100.	

### **13 RESERVES**

	Profit and <u>loss account</u> £
At 18 January 1996	-
Loss for the period	<u>495,229</u>
At 31 December 1996	<u>495,229</u>

## CARAT INTERACTIVE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

#### 14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>31 December 1996</u> £
Loss for the financial period	(495,229)
Dividends	-
	<hr/>
Transfer from profit and loss account	(495,229)
Opening shareholders' funds	<hr/> 100
Closing shareholders' funds	(495,129) <hr/> <hr/>

#### 15 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Carat Interactive Limited is 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.

#### 16 STATEMENT OF CASHFLOWS

The financial statements of Aegis Group plc for the period ended 31 December 1996 contain a consolidated Statement of Cashflows. Therefore the company has taken advantage of the exemption granted under FRS1 whereby it is not required to publish its own Statement of Cashflows.

## CARAT INTERACTIVE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

#### 17 DIRECTORS' INTERESTS

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

31 December 1996

RF Kelly (Chairman)	(appointed 16 February 1996)	-
GA O'Leary	(appointed 16 February 1996; resigned 29 September 1997)	-
BA Mitchell-Innes	(appointed 16 February 1996; resigned 30 June 1997)	5,108
RP Powley	(appointed 16 February 1996)	-

M Jamison was appointed a director of the company on 1 September 1997.

RF Kelly and RP Powley are both directors of Carat UK Limited at the financial year end and as such their interests are disclosed in that company's financial statements.

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

	Options held at start of <u>period</u>	Granted during <u>period</u>	Expired/ lapsed during <u>period</u>	Options held at end of <u>period</u>	Exercise <u>price</u>	Date from which <u>exercisable</u>	Expiry <u>date</u>
GA O'Leary	-	113,462	-	113,462	52.0p	02.07.2001	01.07.2006

The middle market price of the shares at 31 December 1996 was 61.0 pence and the range during 1996 was 65.75 pence to 37.75 pence.