

Stream\MSI Limited

Directors' report and financial
statements

Registered number 2196526

31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The Company's principal function is to offer innovative brand communication and brand content services. As a secondary activity, the Company also offers soundtrack research and provision for all forms of media.

Business review

The profit after taxation for the year was £112,649 (2004: £145,412).

The directors are satisfied with the company's results for the year and its future prospects.

Dividends

The directors are unable to recommend the payment of a dividend (2004: Nil).

Directors and directors' interests

The directors who held office during the year were as follows:

Mrs S. M. Walsh

Mr N. Dawson: appointed 30th June 2005.

Mr A. P. McGuinness: resigned 4th May 2005.

The directors who held office at the end of the financial year had no disclosable interest in the shares of the company. The directors were all remunerated by a fellow group company during the year.

Directors' report *(continued)*

Political and charitable contributions

The company made no political contributions or charitable donations during the year.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


S.A. Bray

Secretary

76-80 Whitfield Street
London
W1T 4EZ
8th May 2006

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the 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 UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the independent auditors to the members of Stream\MSI

We have audited the financial statements of Stream\MSI for the year ended 31st December 2005, which comprise the Profit and Loss account, the Balance sheet and related notes. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

As described in the Statement of Directors Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with the UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

8th May 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Gross billings	<i>1</i>	2,114,692	1,891,364
Rebillable costs	<i>1</i>	(540,454)	(541,762)
		<hr/>	<hr/>
Revenue	<i>1,2</i>	1,574,238	1,349,602
Direct costs		(92,096)	(54,974)
		<hr/>	<hr/>
Gross profit		1,482,142	1,294,628
Administrative expenses		(1,309,566)	(1,083,807)
		<hr/>	<hr/>
Operating profit		172,576	210,821
Other interest receivable and similar income	<i>5</i>	5,008	8,341
Interest payable and similar charges	<i>6</i>	(2,314)	(7,503)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3-6</i>	175,270	211,659
Tax on profit on ordinary activities	<i>7</i>	(62,621)	(66,247)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		112,649	145,412
		<hr/> <hr/>	<hr/> <hr/>

The results shown above are derived wholly from continuing operations. There were no recognised gains or losses in either the current or prior year except as shown above. Consequently, a statement of total recognised gains and losses has not been prepared.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for each period and their historical cost equivalent.

Balance sheet
at 31 December 2005

	Note	2005	2004
		£	£
Current assets			
Work in progress	8	35,591	1,335
Debtors	9	878,896	524,342
Cash at bank and in hand		513,602	140,117
		<u>1,428,089</u>	<u>665,794</u>
Creditors: amounts falling due within one year	10	<u>(1,224,950)</u>	<u>(575,304)</u>
Net assets		<u>203,139</u>	<u>90,490</u>
Capital and reserves			
Called up share capital	11	25,000	25,000
Share premium account	12	100,000	100,000
Profit and loss account	13	78,139	(34,510)
Equity shareholders' funds/(deficit)	13	<u>203,139</u>	<u>90,490</u>

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 8th May 2006 and were signed on its behalf by:


S.M Walsh
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under Financial Reporting Standard ("FRS") 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Omnicom Group Inc., which includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Omnicom Group Inc., the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Omnicom Group Inc., within which this company is included, can be obtained from 437 Madison Avenue, New York NY 10022, U.S.A.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Work in progress

Work in progress consists of amounts spent by the company on behalf of its clients which have not been recharged to clients by the end of the year.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

Gross billings

Gross billings are recognised when the service is performed, in accordance with the terms and conditions of the contractual arrangement and when collection is reasonably assured. Gross billings comprises the gross amounts billed to clients in respect of commission based income together with the total of other fees earned and amounts recharged to clients for rebillable costs.

Rebillable costs

Rebillable costs comprise media payments and third party production costs for those services that the company is arranging for its clients in its capacity as an intermediary. The company contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the company bears credit risk in respect of these activities, the arrangements with its clients are such that, in effect it acts as an intermediary on behalf of its client. Where the company acts as an intermediary, costs incurred with external suppliers are excluded from revenue.

Revenue

Revenue comprises fees and commissions earned in respect of gross billings and direct costs. Revenue is recognised when services are performed, in accordance with the terms of arrangements reached with each client. Gross billings and revenue are stated exclusive of VAT, sales taxes and trade discounts.

2 Analysis of Revenue

The Company's revenue resulted from the provision of advertising services in the following areas:

	2005 £	2004 £
United Kingdom	1,492,888	924,904
Netherlands	67,803	424,698
France	12,404	-
Finland	1,143	-
	<hr/> 1,574,238 <hr/>	<hr/> 1,349,602 <hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2005 £	2004 £
Profit on ordinary activities before taxation is stated after charging:		
Audit remuneration:	5,152	5,500
Exchange losses	2,314	7,503

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Account Management	8	6
Research	1	1
Administration	1	1
Music Directorship	2	1
	<hr/> 12	<hr/> 9

The aggregate payroll costs of these persons were as follows:

	2005 £	2004 £
Wages and salaries	811,400	647,894
Social security costs	79,018	88,706
Severance compensation	61,671	-
Other pension costs	14,603	13,481
	<hr/> 966,692	<hr/> 750,081

Payment of the directors was borne by TBWA\ London Limited.

Notes *(continued)*

5 Other interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	5,008	8,341
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2005 £	2004 £
Net exchange losses	2,314	7,503
	<u> </u>	<u> </u>

Notes (continued)

7 Taxation

Analysis of charge in period

	2005		2004
	£	£	£
<i>UK corporation tax</i>			
Current tax charge on income for the period	55,513		61,491
Adjustments in respect of prior periods	3,554		-
Total current tax	<u>59,067</u>		<u>61,491</u>
Deferred tax			
Reversal/(origination) of timing differences	3,554		4,756
	<u>3,554</u>		<u>4,756</u>
Tax on profit on ordinary activities	<u><u>62,621</u></u>		<u><u>66,247</u></u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2004: lower) than the standard rate of corporation tax in the UK (2005: 30 %, 2004: 30 %). The differences are explained below:

	2005	2004
	£	£
<i>Current tax reconciliation</i>		
Profit/(Loss) on ordinary activities before tax	175,270	211,659
Current tax at 30% (2004: 30 %)	52,581	63,498
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6,486	2,749
Capital allowances for period in excess of depreciation	(3,554)	(4,756)
Adjustments to tax charge in respect of previous periods	3,554	-
Total current tax charge (see above)	<u><u>59,067</u></u>	<u><u>61,491</u></u>

Deferred tax is made up of the difference between accumulated depreciation and amortisation and capital allowances as follows:

	£
At beginning of year	14,215
Additional amounts provided	(3,554)
At end of year	<u><u>10,661</u></u>

Notes (continued)

8 Work in progress

	2005 £	2004 £
Work in progress	35,591	1,335

9 Debtors

	2005 £	2004 £
Trade debtors	466,570	230,008
Amounts owed by group undertakings	363,032	42,521
Other debtors	38,633	14,743
Deferred tax assets	10,661	14,215
Prepayments and accrued income	-	222,855
	<u>878,896</u>	<u>524,342</u>

10 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	22,487	265,886
Amounts owed to group undertakings	258,545	17,496
Corporation Tax creditor	16,190	23,026
VAT creditor	229,608	12,567
Other creditors	83,932	211,463
Accruals and deferred income	234,832	44,866
Advance Billings	379,356	-
	<u>1,224,950</u>	<u>575,304</u>

Notes (Continued)

11 Called up share capital

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity: 25,000 Ordinary shares of £1 each	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

12 Share premium and reserves

	Share premium account £	Profit and loss account £
At beginning of year	100,000	(34,510)
Retained profit for the year	-	112,649
	<u>100,000</u>	<u>78,139</u>
At end of year	100,000	78,139

13 Reconciliation of movements in shareholders' funds

	Share premium account £	Profit and Loss account £	Share capital £	2005 Shareholders funds £	2004 Shareholders funds £
At beginning of year	100,000	(34,510)	25,000	90,490	(54,922)
Retained profit for the year	-	112,649	-	112,649	145,412
	<u>100,000</u>	<u>78,139</u>	<u>25,000</u>	<u>203,139</u>	<u>90,490</u>
At end of year	100,000	78,139	25,000	203,139	90,490

Notes (Continued)

14 Contingent liabilities and contingent assets

The company together with certain other group companies, has entered into an £8,000,000 collective net overdraft facility with HSBC Bank plc. HSBC Bank plc has the right to apply positive cash balances of the company against indebtedness or liabilities of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

15 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £14,603 (2004: £13,481).

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Omnicom Group Inc incorporated in the United States of America.

The largest and smallest groups in which the results of the company are consolidated is that headed by Omnicom Group Inc. and Omnicom Europe Limited respectively. The consolidated accounts of these groups are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY 10022, USA, or Companies House, Crown Way, Cardiff, CF14 30Z respectively.