

## **Stream\ MSI Limited**

**Directors' report and financial  
statements**

**Registered number 2196526**

**31 December 2006**



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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### **Principal activities**

The Company's principle 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 Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

The profit after taxation for the year was £152,759 (2005 £112,649).

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

### **Dividends**

The directors have paid an interim ordinary dividend of £3.13 per share for the year (total £78,139), (2005 £Nil).

### **Directors and directors' interests**

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

Mrs S. M. Walsh

Mr N. J. Dawson (resigned 13<sup>th</sup> October 2006)

Mr M. Shepherd Smith (appointed 1<sup>st</sup> January 2007)

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.

### **Political and charitable contributions**

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

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report** *(Continued)*

### **Auditors**

Pursuant to section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to reappoint its auditors annually. KPMG Audit Plc would then continue as the company's auditors.

By order of the board



**S. A. Bray**

Secretary

76-80 Whitfield Street  
London  
W1T 4EZ  
2007  
5<sup>th</sup> June 2007

## **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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK general accepted accounting practice).

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 or loss 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 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 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.



## KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of Stream\ MSI Limited**

We have audited the financial statements of Stream\MSI Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if in our opinion, 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 other transactions is not disclosed.

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

#### **Basis of audit 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 judgments 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.

## Independent auditors' report to the members of Stream\ MSI Limited (*continued*)

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of the company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

6, June 2007

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	2006 £	2005 £
<b>Gross billings</b>		<b>3,589,168</b>	<b>2,114,692</b>
Rebillable costs	<i>1</i>	<b>(1,823,427)</b>	<b>(540,454)</b>
		<hr/>	<hr/>
<b>Revenue</b>	<i>1, 2</i>	<b>1,765,741</b>	<b>1,574,238</b>
Direct costs		<b>(73,992)</b>	<b>(92,096)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,691,749</b>	<b>1,482,142</b>
Administrative expenses		<b>(1,465,977)</b>	<b>(1,309,566)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<i>3</i>	<b>225,772</b>	<b>172,576</b>
Other interest receivable and similar income	<i>5</i>	<b>13,988</b>	<b>5,008</b>
Interest payable and similar charges	<i>6</i>	<b>-</b>	<b>(2,314)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>239,760</b>	<b>175,270</b>
Tax on profit on ordinary activities	<i>7</i>	<b>(87,001)</b>	<b>(62,621)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>152,759</b>	<b>112,649</b>
		<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.



**Balance sheet**  
*at 31 December 2006*

	<i>Note</i>	<b>2006</b>	<b>2005</b>
		£	£
<b>Current assets</b>			
Work in Progress	9	280,903	35,591
Debtors	10	1,443,790	878,896
Cash at bank and in hand		-	513,602
		<u>1,724,693</u>	<u>1,428,089</u>
<b>Creditors</b> amounts falling due within one year	11	(1,446,934)	(1,224,950)
<b>Net assets</b>		<u>277,759</u>	<u>203,139</u>
<b>Capital and reserves</b>			
Called up share capital	12	25,000	25,000
Share premium account	13	100,000	100,000
Profit and loss account	13	152,759	78,139
<b>Shareholders' funds</b>		<u>277,759</u>	<u>203,139</u>

The notes on pages 8 to 16 form part of these financial statements

These financial statements were approved by the board of directors on 5<sup>th</sup> June 2007 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 the address given in note 15

#### ***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 is stated at the lower of cost and net realisable value Cost consists of direct expenses incurred on unbilled work Net realisable value is based on estimated sales value less further costs to completion

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***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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)**

### **Accounting policies (continued)**

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### ***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, which meet the Companies Act definition of turnover. 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.

## Notes (continued)

### 2 Analysis of revenue

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

	2006 £	2005 £
United Kingdom	1,298,507	1,492,888
France	465,395	12,404
Netherlands	1,300	67,803
Denmark	539	-
Finland	-	1 143
	<hr/> 1,765,741 <hr/>	<hr/> 1,574,238 <hr/>

### 3 Profit on ordinary activities before taxation

	2006 £	2005 £
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration	4,995	5,152
Exchange losses	-	2 314

Amounts receivable by the Company's Auditor in respect of services to the company and its associates other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's Parent, Omnicom Europe Limited

## Notes (continued)

### 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	
	2006	2005
Account Management	12	8
Music Directorship	3	2
Administration	1	1
Research	1	1
	<hr/>	<hr/>
	17	12
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2006	2005
	£	£
Wages and salaries	878,935	811,400
Social security costs	95,084	79,018
Severance compensation	3,996	61,671
Other pension costs	4,933	14,603
	<hr/>	<hr/>
	982,948	966,692
	<hr/>	<hr/>

The directors were remunerated through other group companies

### 5 Other interest receivable and similar income

	2006	2005
	£	£
Bank interest receivable	13,631	5,008
Net exchange gain	357	-
	<hr/>	<hr/>
	13,988	5,008
	<hr/>	<hr/>

## Notes (continued)

### 6 Interest payable and similar charges

	2006 £	2005 £
Net exchange losses	-	2,314

### 7 Taxation

#### Analysis of charge in period

	£	2006 £	£	2005 £	£
<i>UK corporation tax</i>					
Current tax on income for the period	80,121		55,513		
Adjustments in respect of prior periods	4,215		3,554		
		84,336		59,067	
Deferred tax					
Origination/reversal of timing differences	2,665		3,554		
				3,554	
Tax on profit on ordinary activities		87,001		62,621	

## Notes (continued)

### 7 Taxation (continued)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2005 higher) than the standard rate of corporation tax in the UK (2006 30 %, 2005 30 %) The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	239,760	175,270
	<hr/>	<hr/>
Current tax at 30 % (2005 30 %)	71,928	52,581
<i>Effects of</i>		
Expenses not deductible for tax purposes	8,193	6,486
Capital allowances for period in excess of depreciation	-	(3,554)
	<hr/>	<hr/>
Adjustments to tax charge in respect of previous periods	4,215	3,554
	<hr/>	<hr/>
Total current tax charge (see above)	84,336	59,067
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax asset arises from differences between accumulated depreciation and amortisation and capital allowances as follows

	£
Deferred tax asset at 1 January 2006	10,661
Reversal of timing differences	(2,665)
	<hr/>
Deferred tax asset at 31 December 2006	7,996
	<hr/> <hr/>

### 8 Dividends

	2006 £	2005 £
Interim dividend paid	78,139	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 9 Work in progress

	2006 £	2005 £
Work in progress	280,903	35,591

### 10 Debtors

	2006 £	2005 £
Trade debtors	902,840	466,570
Amounts owed by group undertakings	435,177	363,032
Other debtors	75,286	38,633
Deferred tax assets	7,996	10,661
Prepayments and accrued income	22,491	-
	<u>1,443,790</u>	<u>878,896</u>

### 11 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	252,289	22,487
Amounts owed to group undertakings	411,368	258,545
Corporation tax creditor	35,947	16,190
Taxation and social security	104,553	229,608
Other creditors	-	83,932
Accruals and deferred income	447,744	614,188
Bank loans and overdrafts	195,033	-
	<u>1,446,934</u>	<u>1,224,950</u>

### 12 Called up share capital

	2006 £	2005 £
<i>Authorised, Allotted, called up and fully paid</i> Equity 25,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>



## Notes (continued)

### 13 Share Premium and Reserves

	Share premium account £	Profit and loss account £
At beginning of year	100 000	78,139
Profit for the year	-	152,759
	<hr/>	<hr/>
	100,000	230,898
Dividends on shares classified in shareholders' funds	-	(78,139)
	<hr/>	<hr/>
At end of year	100,000	152,759
	<hr/> <hr/>	<hr/> <hr/>

### 14 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
<b>Profit for the financial year</b>	<b>152,759</b>	<b>112,649</b>
Dividends on shares classified as shareholder's funds	(78,139)	-
	<hr/>	<hr/>
Retained profit	74,620	112,649
	<hr/>	<hr/>
	74,620	112,649
<b>Net addition to shareholders' funds</b>	<b>74,620</b>	<b>112,649</b>
Opening Shareholders' funds	203,139	90,490
	<hr/>	<hr/>
Closing Shareholders' funds	277,759	203,139
	<hr/> <hr/>	<hr/> <hr/>

### 15 Contingent liabilities and contingent assets

The company together with certain other group companies has entered into an £8,000,000 collective net overdraft arrangement 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.

### 16 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 £4,933 (2005 £14,603).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**Notes** *(continued)*

**17 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 group in which the results of the company are consolidated is that headed by Omnicom Group Inc. The smallest group in which they are consolidated is that headed by Omnicom Europe Limited. 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 3UZ, respectively.