

Adstream (UK) Limited

Report and Financial Statements

Year Ended

30 June 2011

Company number: 04691908

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Adstream (UK) Limited

**Report and financial statements
for the year ended 30 June 2011**

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Directors

G Barron
J Carpenter
M Lee
D Mark

Secretary and registered office

M Lee, 7th Floor, Berkshire House, 168-173 High Holborn, London, WC1V 7AA

Company number

04691908

Auditors

Ernst & Young LLP, 400 Capability Green, Luton, Bedfordshire, LU1 3LU

Solicitors

Laytons, 22 St John Street, Manchester, M3 4EB

Adstream (UK) Limited

Report of the directors for the year ended 30 June 2011

The directors present their report together with the audited financial statements for the year ended 30 June 2011

Results

The profit and loss account is set out on page 5 and shows the profit for the year

Principal activities, trading review and future developments

The principal activities of the company are

- The provision of technology solutions to validate, transmit and provide intelligence on all forms of digital media from short form to long form content, and
- The provision of advice, outsourced services and technology solutions to the advertising industry to reduce the costs of the advertising supply chain

The year to 30 June 2011 was another excellent year for Adstream (UK) Limited, with revenues growing from £8,335,523 to £10,406,275, growth of 25%, and gross profit margin has increased year on year from 62.15% to 68.59%

We continue to support Clearcast, the industry body for clearance of broadcast advertising in the UK, and through this, the industry with further efficiencies in broadcast transmission and workflow

Principal risks and uncertainties

The main financial risks arising from the company's operating activities are credit risk and liquidity risk. The directors do not consider interest rate risk to be a significant risk to the company given the size and nature of the company's borrowings. All of the risks are monitored by the board of directors and the senior management team and none of the risks were considered to be significant at the year end.

The company manages its credit risk through its credit control and customer service teams, the enforcement of credit limits, timely reviews of outstanding debtor balances and regular communication with customers. Based on the diverse range of customers and the lack of concentration of credit with any one customer the directors do not believe that credit checks for new customers provide sufficient benefit for the costs arising.

The company manages liquidity risk through a combination of an invoice discounting facility and funding from other group entities to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts that earn interest at a floating rate. The interest rate on the invoice discounting facility is at a floating rate.

Branches within the European Union

The company operates a branch covering the Nordic region with offices located in Denmark and Sweden.

Going concern

The accounts have been prepared on the going concern basis as a result of the profit for the year of £2,339,695, a net current asset position of £4,109,238 and a net asset position of £6,628,548.

Adstream (UK) Limited

Report of the directors for the year ended 30 June 2011 (*continued*)

Directors

The directors of the company during the year were

G Barron
J Carpenter
M Lee
D Mark

Directors' responsibilities

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare the 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 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 departure 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 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 to enable them to ensure that the Financial Statements comply with the Companies Act 2006. 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting in accordance with s485 of the Companies Act 2006.

By order of the Board



D Mark
Director
22 March 2012

Adstream (UK) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADSTREAM (UK) LIMITED

We have audited the financial statements of Adstream (UK) Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. 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 auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 2), 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 (APB'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 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 financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Adstream (UK) Limited

Independent auditor's report (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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Andrew Clewer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

Date 23/3/12

Adstream (UK) Limited

Profit and loss account for the year ended 30 June 2011

	Note	2011 £	2010 £
Turnover	2	10,406,275	8,335,523
Cost of sales		<u>(3,229,689)</u>	<u>(3,155,133)</u>
Gross profit		7,176,586	5,180,390
Distribution costs		<u>(970,942)</u>	<u>(1,046,321)</u>
Exceptional release/(provision) against intercompany debtor	4	1,653,411	(656,197)
Release of intercompany loan	4	-	9,615,375
Exchange differences	4	(360,853)	(1,388,452)
Other administrative expenses		(5,162,568)	(3,546,870)
Total administrative expenses		(3,870,010)	4,023,856
Operating profit	3	2,335,634	8,157,925
Other interest receivable and similar income	7	8,514	277
Interest payable and similar charges	8	(55,065)	(49,137)
Profit on ordinary activities before taxation		2,289,083	8,109,065
Tax charge	9	50,612	-
Profit on ordinary activities after taxation	16	2,339,695	8,109,065

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 7 to 16 form part of these financial statements

Adstream (UK) Limited

Balance sheet at 30 June 2011

Company number 04691908	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	10		1,061,251		630,753
Fixed asset investments	11		2,121,293		1,723,280
			<u>3,182,544</u>		<u>2,354,033</u>
Current assets					
Debtors	12	8,178,829		5,867,917	
Cash at bank and in hand		378,315		660,594	
		<u>8,557,144</u>		<u>6,528,511</u>	
Creditors amounts falling due within one year	13	(4,863,861)		(4,593,691)	
		<u>3,693,283</u>			
Net current assets					1,934,820
Total assets less current liabilities			6,875,827		4,288,853
Creditors falling due in more than one year	14		(247,279)		-
			<u>6,628,548</u>		<u>4,288,853</u>
Net assets					
Capital and reserves					
Called up share capital	15		10,000		10,000
Profit and loss account	16		6,618,548		4,278,853
			<u>6,628,548</u>		<u>4,288,853</u>
Shareholders' funds	17				
			<u>6,628,548</u>		<u>4,288,853</u>

The financial statements were approved by the board of directors and authorised for issue on 22 March 2012



D Mark
Director

The notes on pages 7 to 16 form part of these financial statements

Adstream (UK) Limited

Notes forming part of the financial statements for the year ended 30 June 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 401 of the Companies Act 2006 as the group it heads forms part of the group headed by Adstream Holdings Limited, a company incorporated in Australia. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company being a subsidiary undertaking where 100% of the voting rights are controlled within the group whose consolidated financial statements are publicly available is exempt from the requirement to draw up cash flow statements in accordance with Financial Reporting Standard 1 'Cash flow statements (Revised)'.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Transmission and validation revenue is recognised when the work has been completed. Revenue deriving from digital storage solutions is recognised on an estimated usage basis. Revenue arising from the provision of outsourced services, consultancy and technology solutions is recognised as the work is performed.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	-	33% or over the life of the lease whichever is shorter
Plant and machinery	-	25%
Fixtures and fittings	-	25%
Computer equipment	-	25%

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Adstream (UK) Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Operating leases

The annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Reverse premiums and similar incentives received to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Adstream Holdings Limited on the grounds that at least 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

Going concern

The accounts have been prepared on the going concern basis as a result of the profit for the year of £2,339,695, a net current asset position of £4,109,238 and a net asset position of £6,628,548

2 Turnover

The proportion of turnover that is attributable to markets outside the United Kingdom is 34% (2010 – 24%)

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (continued)

3 Operating profit/(loss)

	2011 £	2010 £
This is arrived at after charging		
Depreciation of tangible fixed assets	334,244	310,868
Hire of other assets – operating leases	114,917	172,251
Hire of plant and machinery – operating leases	12,500	11,362
Auditors' remuneration		
Audit services	15,000	46,193
Tax services	-	13,960
Exchange difference	360,853	1,388,452
	<u> </u>	<u> </u>

4 Exceptional items

At the year end the company assigned amounts owed by other group companies to its parent entity, Adstream Holdings Pty Limited. As a result of assigning this debt the provision against the intercompany balances has been released and credited to the profit and loss.

The prior year amount relating to the release of the intercompany loan arose as a loan between the Company and its immediate parent entity, Adstream Holdings Pty Limited, was waived at the year end.

The amount relating to exchange differences arises from the movement in foreign exchange rates in the year and amounts to £360,853 (2010 - £1,388,452). The loss arising on the retranslation of intercompany balances amounted to £406,802 (2010 - £1,330,449). The Directors consider the loss arising on foreign exchange rates to be exceptional due to their size and non-trading nature. The loss arises due to the large intercompany creditor denominated in Australian dollars and the deterioration of the UK – Australian exchange rates.

5 Wages and salaries

Staff costs (including directors) consist of

	2011 £	2010 £
Wages and salaries	3,477,551	3,016,572
Social security costs	332,449	350,330
Other pension costs	-	-
	<u> </u>	<u> </u>
	3,810,000	3,366,902
	<u> </u>	<u> </u>

The average number of employees (including directors) during the year was 72 (2010 – 65)

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

6 Directors

	2011 £	2010 £
Directors' remuneration consists of		
Emoluments	<u>708,861</u>	<u>514,402</u>
The emoluments of the highest paid director amounted to £207,094 (2010 - £179,922)		
The company makes no payments to a defined contribution pension scheme on behalf of the directors		

7 Interest receivable

	2011 £	2010 £
Bank deposits	<u>8,514</u>	<u>277</u>

8 Interest payable and similar charges

	2011 £	2010 £
Bank loans and overdrafts	50,904	49,137
Interest payable under finance leases	<u>4,161</u>	<u>-</u>
	<u>55,065</u>	<u>49,137</u>

9 Taxation

	2011 £	2010 £
<i>Current tax</i>		
UK corporation tax on profits/(losses) of the year	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	<u>50,612</u>	<u>-</u>
Taxation on profit/(losses) on ordinary activities	<u>50,612</u>	<u>-</u>

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

9 Taxation (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	2,289,083	8,109,065
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 27.5% (2010 – 28%)	629,498	2,270,538
Effects of		
Depreciation in excess of capital allowances	45,956	12,600
Expenses not deductible for taxation purposes	60,358	146,406
Provision against intercompany debtor	(454,688)	183,735
Release of intercompany loan	-	(2,687,265)
Tax losses utilised	(281,124)	-
Tax losses carried forward	-	73,986
Tax losses brought to account	(50,612)	-
Tax charge for the year	(50,612)	-

As at 30 June 2011 the company had £194,660 (2010 – £2,141,509) of tax losses, all of which have been recognised as a deferred tax asset

Factors that may affect future tax charges in the UK

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantially enacted on 29 March 2011 and therefore the effect of the rate reduction on the UK deferred tax balances as at 30 June 2011 has been included in the above figures.

In addition the Chancellor proposed further changes to reduce the main rate of UK corporation tax by one per cent each annum resulting in a tax rate of 23% in 2014. This change has not been substantively enacted and therefore not reflected in the above figures. The overall effect of the further reductions from 26% to 23%, if these rates applied to the deferred tax balances at 30 June 2011, would be to reduce the net deferred tax asset by £5,840.

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 *(continued)*

10 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Total £
<i>Cost or valuation</i>			
At 1 July 2010	58,143	2,673,564	2,731,707
Transfer from fellow group company	-	34,894	34,894
Additions	294,584	437,996	732,580
Foreign exchange	-	2,636	2,636
Disposals	-	(1,495)	(1,495)
At 30 June 2011	352,727	3,147,595	3,500,322
<i>Depreciation</i>			
At 1 July 2010	55,428	2,045,526	2,100,954
Transfer from fellow group company	-	3,170	3,170
Provided for the year	30,417	303,840	334,257
Foreign exchange	-	940	940
Disposals	-	(249)	(249)
At 30 June 2011	85,845	2,353,226	2,439,071
<i>Net book value</i>			
At 30 June 2011	266,882	794,369	1,061,251
At 30 June 2010	2,715	628,038	630,753

Included in plant and machinery are assets under hire purchase agreements with a net book value of £165,843 (2010 £nil)

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

11 Fixed asset investments

	Shares in group undertakings £
<i>Cost or valuation</i>	
At 1 July 2010	1,723,280
Additions	398,013
At 30 June 2011	2,121,293

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held
The Traffic Bureau Limited	UK	100%
Adstream (Italy) S r l	Italy	100%
Adstream France S A S	France	100%
Adstream Spain	Spain	100%
Adstream Hong Kong	Hong Kong	100%
Adstream Holland	Holland	100%
Digital Transfer Kft	Hungary	100%
LBB Limited	UK	100%

On 30 June 2011, the company hived up the trade and assets of LBB Limited at their net book value, which amounted to £71,161

12 Debtors

	2011 £	2010 £
Trade debtors	2,402,952	2,228,872
Amounts owed by group undertakings	4,471,440	2,870,338
Other debtors	362,002	337,481
Deferred tax asset	50,612	-
Prepayments and accrued income	891,823	431,226
	8,178,829	5,867,917

All amounts shown under debtors fall due for payment within one year

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

13 Creditors: amounts falling due within one year

	2011 £	2010 £
Invoice discounting facility	644,707	-
Trade creditors	725,332	768,459
Amounts owed to group undertakings	1,925,640	3,274,562
Taxation and social security	479,820	322,896
Other creditors	23,316	5,444
Finance leases	71,640	-
Deferred consideration	220,000	-
Accruals and deferred income	773,406	222,330
	<u>4,863,861</u>	<u>4,593,691</u>

14 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Deferred consideration	100,000	-
Finance leases	147,279	-
	<u>247,279</u>	<u>-</u>

Maturity of debt

	Deferred Consideration 2011 £	Deferred Consideration 2010 £	Finance Leases 2011 £	Finance Leases 2010 £
In one year or less, or on demand	<u>220,000</u>	<u>-</u>	<u>71,640</u>	<u>-</u>
In more than one year but not more than two years	100,000	-	147,279	-
In more than two years but not more than five years	-	-	-	-
	<u>320,000</u>	<u>-</u>	<u>218,919</u>	<u>-</u>

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

15 Share capital

	Allotted, called up and fully paid	
	2011 £	2010 £
10,000 ordinary shares of £1 each	10,000	10,000

16 Reserves

	Profit and loss account £
At 1 July 2010	4,278,853
Profit for the year	2,339,695
At 30 June 2011	6,618,548

Adstream (UK) Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 *(continued)*

17 Reconciliation of movements in shareholder's funds

	2011 £	2010 £
Profit for the year	2,339,695	8,109,065
Opening shareholder's funds	4,288,853	(3,830,211)
Closing shareholder's funds	6,628,548	4,288,853

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £	Other 2011 £	Land and buildings 2010 £	Other 2010 £
Operating leases which expire				
Within one year	-	-	94,717	-
In two to five years	379,848	-	-	-

19 Ultimate parent company

The immediate parent company and the smallest company for which group accounts are drawn up is Adstream Holdings Pty Limited. The ultimate controlling party and the largest group of undertakings for which group accounts are drawn up is Paul Ramsay Holdings Pty Limited. Both Companies are incorporated in Australia and group accounts are available from Level 5, Tower B, 207 Pacific Highway, St Leonards, NSW 2065 Australia.