

1046052

Publicis Limited

Report and Financial Statements

31 December 2006



Publicis Limited

Registered No 01046052

Directors

R N Bendel (resigned 4th October 2006)
G Stewart
R C Pinder (appointed 5th October 2006)
A Pinto (appointed 26th March 2007)

Secretary

A Wyllie (resigned 6 October 2006)
M Gonzalez-Gomez (appointed 26 March 2007)
E Kiernan (resigned 30th November 2007)
S Ewing (appointed 30th November 2007)

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

NatWest Bank Plc
Charing Cross
PO Box 113
Cavell House
2A Charing Cross Road
London
WC2H 0PD

Registered Office

82 Baker Street
London W1U 6AE

Directors' report

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

Results and dividends

The profit for the year, after taxation, is £23,033,000 (2005 restated - £7,574,000 profit) The directors paid ordinary dividends of £35,321,000 for the year (2005 - £5,540,000)

Principal activity and review of the business

The company's principal activities during the year continued to be that of an advertising agency

The company's key financial and other performance indicators during the year were as follows

	<i>restated</i>		
	2006	2005	Change
	£'000	£'000	%
Turnover	90,364	267,554	-66%
Operating profit	6,143	841	+630%
Average number of employees	271	282	-4%

Turnover decreased by 66% during the year primarily due to the reallocation of the HP media administration to another part of the group at the request of Publicis Limited to improve overall client efficiencies

Operating profit before exceptionals increased by 630% during the year This improvement was caused due provisions that were required in 2005 not being required in 2006 and improved client revenue

The total average number of employees decreased by 4% during the year This was a result of natural staff turnover and some non replacements towards the end of the year

Principal risks and uncertainties

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives

The principal risks faced by the company are as follows

- **Competitive Risks**

The business operates in a competitive market The company makes new business conversion a high priority in order to mitigate this risk to the greatest extent possible

- **Exposure to credit, liquidity and cash flow risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Our policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

Directors' report

Principal risks and uncertainties (continued)

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We aim to mitigate liquidity risk by managing cash generation by our operations and applying cash collection targets. Publicis Limited is part of the Publicis Group, and as such is able to obtain financial support from the group if required.

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance the day-to-day operations. We manage cash flow risk by careful negotiation of terms with customers and suppliers.

Future developments

The directors aim to maintain the management policies which have resulted in the company's margin growth in recent years. The start of 2007, following some account moves, has required a restructure that has been planned and implemented by the end of the first quarter. The remainder of the year looks like delivering a strong margin.

Directors and their interests

The directors who served during the year were as follows:

R N Bendel (resigned 4 October 2006)

G Stewart

R C Pinder (appointed 5 October 2006)

A Pinto (appointed 26 March 2007)

According to the register of directors' interests, none of the directors had any beneficial interests in the share capital of the company or of any UK group company at the end of the year. Some directors have an interest in the share capital of the ultimate parent company. Their aggregate interests are disclosed in Note 20 to the accounts.

Secretary

E Kiernan was appointed joint secretary with A Wyllie on 27 May 2005. A Wyllie resigned as secretary on 6 October 2006. E Kiernan subsequently resigned on 30 November 2007 and S Ewing was appointed secretary on the same date. M Gonzalez-Gomez was appointed as secretary on 26 March 2007.

Charitable and political contributions

The company contributed £42,144 (2005 – £21,331) to charities during the year. No political donations were made (2005 – £nil).

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in

Directors' report

order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Employees

Information on the trading performance of the group is made available to all employees and consultation procedures are maintained to ensure that employees are aware of the group's progress

Suitable procedures are in operation to support the group's policy that the disabled (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitude and abilities

The group has insured its officers against liabilities for breach of trust in relation to the group

Re-appointment of auditors

In accordance with s385 of the Companies Act 1985, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



Graham Stewart

15 January 2008

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements 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 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 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

Independent auditors' report

to the members of Publicis Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 22. 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 auditors' 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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 misstatements 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.

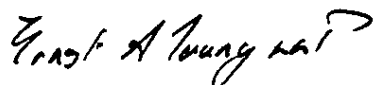
Independent auditors' report

to the members of Publicis Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its 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



Ernst & Young LLP
Registered Auditor
London
15 January 2008

Profit and loss account

for the year ended 31 December 2006

		2006	restated 2005
	Notes	£000	£000
Turnover	1,2	90,364	267,554
Cost of sales		(54,556)	(235,565)
Gross profit		35,808	31,989
Administrative expenses		(29,665)	(31,148)
Operating profit	3	6,143	841
Interest receivable and similar income	6	19,165	8,217
Interest payable and similar charges	7	(108)	(180)
Profit on ordinary activities before taxation		25,200	8,878
Tax on profit on ordinary activities	8	(2,167)	(1,304)
Profit on ordinary activities after taxation		23,033	7,574

All activities relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2006

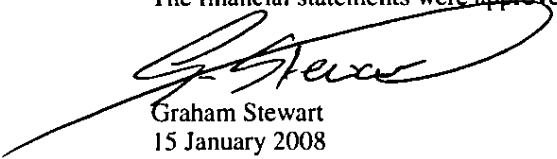
	2006	2005
	£000	£000
Profit for the financial year	23,033	7,574
Actuarial (loss)/gain recognised in the pension scheme	(130)	532
Movement on deferred tax relating to pension scheme	39	(160)
Total gains and losses recognised relating to the year	22,942	7,946
Prior year adjustment arising from adoption of FRS 17 – retained earnings	-	166
Prior year adjustment arising from adoption of FRS 17 – pension reserve	-	(3,238)
Total gains and losses recognised since last annual report	22,942	4,874

Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	10	1,186	1,468
Investments	11	1	1,498
		<u>1,187</u>	<u>2,966</u>
Current assets			
Work in progress		5,510	41,527
Debtors amounts falling due within one year	12	57,259	72,639
Cash at bank and in hand		2,509	801
		<u>65,278</u>	<u>114,967</u>
Creditors: amounts falling due within one year	13	(58,550)	(97,866)
		<u>6,728</u>	<u>17,101</u>
Net current assets			
		<u>7,915</u>	<u>20,067</u>
Total assets less current liabilities			
		<u>7,915</u>	<u>20,067</u>
Pension deficit	19	(2,210)	(2,427)
		<u>5,705</u>	<u>17,640</u>
Net assets			
		<u>5,705</u>	<u>17,640</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	8,380	20,406
Pension reserve	16	(2,775)	(2,866)
		<u>5,705</u>	<u>17,640</u>
Equity shareholders' funds	16	<u>5,705</u>	<u>17,640</u>

The financial statements were approved by the board of directors and signed on its behalf by



Graham Stewart
15 January 2008

Notes to the financial statements

for the year ended 31 December 2006

1. Accounting policies

The principal accounting policies of the company are set out below

Basis of preparation

The accounting period is the year from 1 January 2006 to 31 December 2006. The company is a wholly owned subsidiary of Publicis Groupe S A, a company incorporated in France, which prepares consolidated financial statements. Therefore Publicis Limited is not required to prepare group financial statements under section 228 of the Companies Act 1985.

Turnover

Turnover represents fees, commissions, charges for materials and services receivable stated net of value added tax.

Revenue recognition

Revenue is recognised by the company based on the public presentation date for media advertising and when production is delivered to clients for production work. Fee income is recognised on an accruals basis.

Fixed assets investments

Fixed asset investments are included at cost. Provision is made for any permanent impairment in the value of an investment.

Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is reported in the profit and loss account.

Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pension costs

The company operates on a defined benefit pension scheme which requires contributions to be made to separately administered fund. It is the policy of the company to fund pension liabilities on the advice of external actuaries by payments to independent trusts, the major one being the Institute of Practitioners in Advertising (IPA).

The cost of providing benefits under the defined benefit schemes is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based in actuarial advice. Past service costs are recognised in the profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

Notes to the financial statements

for the year ended 31 December 2006

1. Accounting policies (continued)

Pension costs (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation, less any past service costs not yet recognised and less fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information.

Further information on pension costs is provided in note 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost. Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets on straight line bases over their expected useful lives.

Furniture, fixtures & equipment	–	between 3 and 10 years
Motor vehicles	–	4 years

Work in progress

Work in progress comprises outlays on behalf of clients which are to be recharged and is stated at the lower of cost and net realisable value.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer of Publicis Groupe, Paris, using the Black-Scholes model.

No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and Group management's best estimate of the achievement or otherwise of non-market conditions. Number of equity instruments that will ultimately vest or, in case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Notes to the financial statements

for the year ended 31 December 2006

1. Accounting policies (continued)

Share-based payments (continued)

Where the term of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period of the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Statement of cash flows

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) "Cash Flow Statement" to include a statement of cash flows as part of its financial statements because its ultimate parent undertaking, Publicis Groupe S A, prepares consolidated financial statements which include the financial statements of the company for the year (see note 22).

Notes to the financial statements

for the year ended 31 December 2006

2. Turnover

The company has one class of business, which is the provision of advertising and related services

During the current year the company was responsible for raising invoices overseas on behalf of other group companies (see note above). The receipts are then recharged to these companies in full. As such substantially all of the gross profit for the company arises from activity within the United Kingdom

3. Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	£000	£000
Auditors' remuneration	27	98
Staff costs (Note 5)	21,071	22,761
Depreciation of tangible fixed assets	800	858
Loss/(gain) on sale of fixed assets	19	(11)
Exchange loss/(gain)	141	(367)
Operating lease rentals – land and buildings	1,769	1,800
Management charges	(4,941)	(3,707)

4. Directors' emoluments

	2006	2005
	£000	£000
Emoluments	983	775
Company contributions under money purchase pension schemes	46	54
	1,029	829

Retirement benefits are accruing to two directors under a money purchase pension scheme (2005 – three)

The following details relate to the highest paid director

	2006	2005
	£000	£000
Emoluments and benefits	740	534
Company contributions under money purchase pension scheme	30	33
	770	567

Notes to the financial statements

for the year ended 31 December 2006

5. Staff costs

	2006	<i>restated</i> 2005
	£000	£000
Wages and salaries	18,000	19,264
Social security costs	1,674	1,970
Other pension costs	993	1,222
Life/Health/Medical Insurance	404	305
	<u>21,071</u>	<u>22,761</u>

Included in total staff costs is £1,028,902 (2005 – £829,185) in respect of directors' remuneration (Note 4) and a total expense of share-based payments of £262k (2005 £446k) arising from transactions accounted for as equity-settled share-based payment transactions

The average number of persons employed by the company during the year was

	2006	2005
	No	No
Production and administration of communications activities	<u>271</u>	<u>282</u>

6. Interest receivable and similar income

	2006	2005
	£000	£000
Bank deposit interest	9	–
Intercompany interest receivable	1,220	4,310
Intercompany dividends	17,782	3,540
Exchange gain	154	367
	<u>19,165</u>	<u>8,217</u>

7. Interest payable and similar charges

	2006	2005
	£000	£000
Bank interest/charges payable	10	115
Inter-company interest payable	98	65
	<u>108</u>	<u>180</u>

Notes to the financial statements

for the year ended 31 December 2006

8. Tax on profit on ordinary activities

(a) UK corporation tax

	2006 £000	2005 £000
Current tax		
UK corporation tax at 30% (2005 – 30%)	2,569	1,304
Deferred tax		
Other timing differences	(180)	–
Prior year adjustment (Decelerated capital allowances previously not recognised)	(222)	–
Total deferred tax	(402)	–
Tax on profit on ordinary activities	2,167	1,304

(b) Factors affecting tax charge for the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation

	2006 £000	restated 2005 £000
Profit on ordinary activities before taxation	25,200	8,878
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2005 – 30%)	7,560	2,663
Depreciation for the period less than capital allowances	–	(28)
Expenses not deductible for taxation	353	321
Group relief claimed with no payment	–	(508)
UK dividend not taxable	(5,334)	(1,062)
Adjustment to tax charge in respect of FRS 17	(104)	(82)
Employee share options	(86)	–
Other short-term timing differences	180	–
Total current tax	2,569	1,304

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. It is estimated that as a result the company's deferred tax asset will decrease by £26,800. Further changes are anticipated in relation to capital allowances although the impact on the Group's deferred tax liability is not yet quantifiable.

9. Dividend

A dividend of £35,321,483 was declared and paid in the year (2005 – £5,540,000)

Notes to the financial statements

for the year ended 31 December 2006

10. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Furniture fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost				
At 1 January 2006	3,423	6,710	398	10,531
Additions	326	201	28	555
Disposals	(181)	(2,873)	(132)	(3,186)
At 31 December 2006	3,568	4,038	294	7,900
Depreciation				
At 1 January 2006	2,824	5,956	283	9,063
Charge for the year	499	248	53	800
Disposals	(150)	(2,870)	(129)	(3,149)
At 31 December 2006	3,173	3,334	207	6,714
Net book value				
At 31 December 2006	395	704	87	1,186
At 1 January 2006	599	754	115	1,468

11. Investments

	<i>Subsidiary undertakings</i>
	<i>£000</i>
Shares at cost	
At 1 January 2006	1,498
Less disposals	(1,497)
Balance as at 31 December 2006	1

The company's investments in subsidiary undertakings, which are engaged in the advertising, print, sales promotion and graphic studio industries, are as follows as at 31 December 2006

	<i>Country of incorporation</i>	<i>Class of shares</i>	<i>Percentage of share held</i>
Publicis Dialog Limited	England & Wales	Ordinary	100%
Publicis Blueprint Limited	England & Wales	Ordinary	100%

On 26 May 2006 Publicis Limited sold all of its shares in Geers Gross Limited to MMS UK Holdings Limited for a consideration of £1,497 million

Notes to the financial statements

for the year ended 31 December 2006

12. Debtors: amounts falling due within one year

	2006	2005
	£000	£000
Trade debtors	19,449	18,309
Amounts owed by group undertakings	35,504	47,116
Other debtors	157	490
Prepayments and accrued income	1,747	5,267
VAT receivable	-	1,457
Deferred tax asset (note 14)	402	-
	<u>57,259</u>	<u>72,639</u>

13. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Payments on account	16,887	28,093
Trade creditors	1,056	32,677
Amounts owed to group undertakings	30,405	28,471
Corporation tax payable	1,806	1,687
Other creditors	1,210	1,705
Accruals and deferred income	6,570	5,233
VAT payable	616	-
	<u>58,550</u>	<u>97,866</u>

14. Deferred tax

	2006	<i>Unprovided</i> 2005
	£000	£000
1 January	-	-
Depreciation for period in excess of capital allowances	222	-
Other timing differences	180	-
	<u>402</u>	<u>-</u>

15. Share capital

	2006	2005
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 ordinary shares of £1	100	100
	<u>100</u>	<u>100</u>

Notes to the financial statements

for the year ended 31 December 2006

16. Reconciliation of shareholders' funds and movement on reserves

(a) Movement on reserves

	<i>Profit and loss account £000</i>	<i>Pension reserve £000</i>
At 1 January 2006	20,406	(2,866)
Profit for the financial year	23,033	-
Dividends declared and paid	(35,321)	-
Actuarial gain/(loss) on pension scheme	-	130
Share-based payment transaction	262	-
Deferred tax relating to actuarial gain/(loss) on pension schemes	-	(39)
At 31 December 2006	8,380	(2,775)

(b) Reconciliation of shareholders' funds

	<i>2006 £000</i>	<i>restated 2005 £000</i>
Profit for the financial year	23,033	7,574
Dividends declared and paid	(35,321)	(5,540)
Actuarial gain on pension scheme	130	532
Share-based payment transaction	262	446
Deferred tax relating to actuarial gain on pension scheme	(39)	(160)
Total movements during the year	(11,935)	2,852
Shareholders' funds at 1 January	17,640	14,788
Shareholders' funds at 31 December	5,705	17,640

17. Capital commitments

At the end of the year there were no capital commitments contracted for (2005 – £nil)

Notes to the financial statements

for the year ended 31 December 2006

18. Operating lease commitments

At 31 December 2006 the company was committed to making the following annual payments under non-cancellable operating leases

	<i>Land and buildings 2006 £000</i>	<i>Land and buildings 2005 £000</i>
Leases which expire – after 5 years	1,764	1,800

19. Pension commitments

Composition of the schemes

The Company operates a defined benefit scheme in the UK. In order to provide information about the existence of a surplus or deficit on the scheme, a separate valuation of the scheme as at 31 December 2006 using the measurement basis required by the Standard has been obtained. The assumptions used by the actuary were as follows

<i>Assumptions</i>	<i>As at 31 December</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Discount rate	5.00%	5.00%	5.25%
Inflation	3.00%	2.75%	2.57%
Salary increases	n/a	n/a	2.85%
Pension increases	3.00%	2.75%	2.85%
Increases to deferred pensions before retirement	3.00%	2.75%	2.85%

Based on these assumptions, the fair value of the scheme's assets and liabilities at 31 December 2006 were

<i>Long-term rate</i>	<i>Long-term rate of return expected</i>	<i>2006 £000</i>	<i>2005 £000</i>	<i>2004 £000</i>
Assets				
– equities	8.00%	4,182	3,748	4,642
– gilts	4.68%	5,111	4,502	1,999
– cash	4.00%	-	117	66
Fair value of assets		9,293	8,367	6,707
Present value of the scheme liabilities		(12,450)	(11,835)	(11,095)
		(3,157)	(3,468)	(4,388)
Related deferred tax asset		947	1,041	1,316
Net pension scheme liabilities		(2,210)	(2,427)	(3,072)

Notes to the financial statements

for the year ended 31 December 2006

19. Pension commitments (continued)

	2006 £000	2005 £000	2004 £000
Service cost	-	-	60
Past service cost	-	-	-
Total operating charge	-	-	60
Expected return on pension scheme assets	530	472	407
Interest on pension liabilities	(591)	(582)	(530)
Net return	(61)	(110)	(123)
Actual return less expected return	(78)	721	221
Experience gains and losses on liabilities	68	222	(205)
Changes in assumptions	(120)	(411)	(1,177)
Actuarial (loss)/gain recognised in STRGL	(130)	532	(1,161)
Movement in deficit during the year under FRS 17			
Deficit in scheme at the beginning of the year	(3,466)	(4,388)	(3,464)
Movement in year			
Current service cost	-	-	(60)
Actual contributions	500	500	420
Other finance income	(61)	(110)	(123)
Actuarial gain/(loss)	(130)	532	(1,161)
Deficit in scheme at year end	(3,157)	(3,466)	(4,388)

Notes to the financial statements

for the year ended 31 December 2006

19. Pension commitments (continued)

<i>History of experience gains and losses</i>	2006	2005	2004	2003	2002
Difference between expected and actual return on scheme assets					
Amount (£000)	(78)	721	221	449	(1,241)
Percentage of scheme assets	(0.8)%	8.6%	3.3%	7.7%	(27)%
Experience gains and losses on scheme recognised					
Amount (£000)	68	222	(205)	(125)	(185)
Percentage of scheme assets	0.6%	1.9%	(1.8)%	(1.3)%	(2)%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	(130)	532	(1,161)	(337)	(2,483)
Percentage of scheme liabilities	(1.0)%	4.5%	(10.5)%	(3.6)%	(31)%

20. Share-based payments

Description of existing plans

Share Options are granted to senior employees of the company at the discretion of the Management Board of the ultimate parent Company Publicis Groupe. The stock option plans outstanding at 31 December 2006 have the following characteristics:

Long Term Incentive Plan (LTIP) 2006-2008 (twenty second tranche in 2006)

Options granted under this plan have an exercise price equal to the average Publicis Groupe share price for the 20 days preceding the date of grant. Out of the total number of options granted, the number which can be exercised is contingent on the achievement of growth and profitability objectives of Publicis Groupe over the entire period 2006-2008. The exercise period commences in 2009 when the number of options which may be exercised will be determined. Half of the number of options declared to be exercisable may be exercised as of this date, the other half will be exercisable one year later in 2010. The options expire 10 years after the date of grant.

Long Term Incentive Plan (LTIP) 2003-2005 (seventeenth tranche in 2003, twentieth tranche in 2005)

Options granted under this plan have an exercise price equal to the average cost of Publicis Groupe's treasury stock in portfolio at the date of grant. Out of the total number of options granted, the number which can be exercised was determined in April 2006 on the basis of achievement of growth and profitability objectives for Publicis Groupe over the entire period 2003-2005. For half of the exercisable options the exercise period commenced in April 2006. The other half will be exercisable as from 25 April 2007. The options expire 10 years after the date of grant.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2006 is £262,344 (2005: expense of £445,878). The total expense (expense in prior year) arose from equity-settled share-based payment transactions.

Notes to the financial statements

for the year ended 31 December 2006

20. Share-based payments (continued)

The following table illustrates the number and weighted average exercise process (WAEP) of, and movements in, share options during the year

	2006 No	2006 WAEP- EUR	2005 No	2005 WAEP- EUR
Outstanding as at 1 January	271,000	24 92	263,700	24 77
Granted during the year	136,200	29 27	29,800	24 76
Exercised	(77,900)	24 15	-	-
Cancelled	(2,925)	25 38	(22,500)	24 45
Group transfer	(12,761)	25 38	-	-
Outstanding at 31 December	313,614	27 21	271,000	24 92
Exercisable at 31 December	49,760	27 21	-	-

Shares with 0 40 euro par value	Type of option	Date of grant	Exercise price of options (EUR)	Outstanding options at 31/12/06	Of which exercisable 31/12/06	Expiry date	Remaining contractual life (in years)
17 th tranche	Acquisition	28/08/2003	24 82	147,935	35,020	2013	6 65
20 th tranche	Acquisition	24/05/2005	24 76	29,479	14,740	2015	8 39
22 nd tranche	Acquisition	21/08/2006	29 27	136,200	-	2016	9 64

The weighted average fair value of options granted during the year was €6 67 (2005 €2 42)

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the years ended 31 December 2006 and 31 December 2005

	2006	2005
Rate of return on dividends (%)	1 23	1 22
Expected Publicis share price volatility (%)	24	21
Expected comparator group volatility (%)	98 92	100 0
Risk-free interest rate (%)	3 75	2 17
Expected life of options (years)	5	1 9
Share price at the date of the grant	29 27	22 99

Notes to the financial statements

for the year ended 31 December 2006

20. Share-based payments (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur

No other features of options grant were incorporated into the measurement of fair value

21. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8, "Related Party Disclosures", not to disclose transactions with other members of the group

22. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and the parent undertaking of the largest group to include the company in its consolidated financial statements is Publicis Groupe S A , incorporated in France. Copies of its consolidated financial statements are available from 133 Avenue des champs Elysees, 75008 Paris, France

The immediate parent undertaking is MMS UK(Holdings) Limited, incorporated in England at Pembroke Building, Kensington Village, Avonmore Road, LONDON, W 14 8DG