

CAPITAL MS&L LIMITED
Directors' Report and Financial Statements
For the year ended 31 December 2005



Registered Number: 4131534

CAPITAL MS&L LIMITED
Directors and Advisers

DIRECTORS

Steffan Williams
Timothy Morley
Michael Styles
Richard Campbell
Louis Capozzi

Managing Director
Finance Director
Secretary

SECRETARY AND REGISTERED OFFICE

Michael Styles
22 Great James Street
London WC1N 3ES

PRINCIPAL BANKERS

HSBC Plc
Poultry and Princes Street Branch
PO Box 648
27-32 Poultry
London EC2P 2BX

AUDITORS

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

SOLICITORS

Gordons
22 Great James Street
London WC1N 3ES

CAPITAL MS&L LIMITED

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CAPITAL MS&L LIMITED

Report of the Directors for the year ended 31 December 2005

The directors present their report on the affairs of the Company, together with the financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the Company is the provision of financial public relations and related communications activities.

Review of Business and Future Developments

Both the level of business and the year end financial position were as expected and the directors expect that the company's performance will continue to meet expectations in the future.

Results and dividends

The retained profit for the financial year of £147,000 (2004: £64,000) will be transferred to reserves. No dividends were paid in the year (2004: £Nil). A final dividend of £118,000 was proposed (2004: £Nil) on 5 October 2006.

Directors and their interests

The following served as directors during the period and subsequently:

S Williams
R Campbell
N Lockwood (resigned 31 March 2005)
T Morley
L Capozzi (USA)
M A Styles

The following directors have beneficial interests in the Company as noted below:

	2005 No	2004 No
Ordinary Shares at 31 December		
Steffan Williams	61	70
Richard Campbell	61	70
Nicholas Lockwood	-	70

On 23 December 2005 Nicholas Lockwood sold his entire shareholding in the Company to D'Arcy Masius Benton & Bowles Limited. On 28 December 2005 Steffan Williams and Richard Campbell sold 9 Ordinary Shares in the Company to D'Arcy Masius Benton & Bowles Limited.

No director had an interest in the shares of Group companies which requires disclosure under Paragraph 2 of Schedule 7 to the Companies Act 1985.

CAPITAL MS&L LIMITED

Report of the Directors for the year ended 31 December 2005

Charitable and Political Contributions

There were no charitable or political contributions made during the year.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



Timothy Morley
Director

Warwick Building
Kensington Village
Avonmore Road
London W14 8HQ

CAPITAL MS&L LIMITED

Statement of directors' responsibilities for the year ended 31 December 2005

Financial statements, including adoption of going concern basis

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 and of the profit or loss of the Company for that year.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the directors are required to:-

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 shareholders of CAPITAL MS&L LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared on the basis of 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 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report
To the shareholders of CAPITAL MS&L LIMITED

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

ERNST & YOUNG LLP

Registered Auditors
London

9 October 2006

CAPITAL MS&L LIMITED**Profit and Loss for the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
Turnover	2	3,115	2,497
Cost of sales		(1,133)	(957)
Gross profit		1,982	1,540
Other operating expenses, net	4	(1,780)	(1,473)
Operating profit		202	67
Investment income	8	16	12
Profit on ordinary activities before taxation	5	218	79
Tax on profit on ordinary activities	10	(71)	(15)
Retained profit for year		147	64
Retained profit/(loss) brought forward		10	(54)
Retained profit carried forward		157	10

The company's turnover and expenses all relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2005

The Company has no recognised gains or losses other than those included in the profit for the year above. Therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

There is no difference between profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

CAPITAL MS&L LIMITED
Balance sheet as at 31 December 2005

	Note	2005 £'000	As restated 2004 £'000
FIXED ASSETS			
Tangible assets	11	<u>8</u>	<u>-</u>
CURRENT ASSETS			
Stocks	12	339	16
Debtors: amounts falling due within one year	13	668	601
Cash at bank and in hand		<u>408</u>	<u>452</u>
		1,415	1,069
CREDITORS: DUE WITHIN ONE YEAR			
	14	<u>(936)</u>	<u>(729)</u>
NET CURRENT ASSETS			
		<u>479</u>	<u>340</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		487	340
Long term creditors	15	<u>(2)</u>	<u>(2)</u>
NET ASSETS			
		<u><u>485</u></u>	<u><u>338</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Share premium	17	328	328
Profit & loss account	17	<u>157</u>	<u>10</u>
SHAREHOLDERS' FUNDS			
		<u><u>485</u></u>	<u><u>338</u></u>

The financial statements on pages 8 to 22 were approved by the board of directors on *9 October 2006* and were signed on its behalf by:



Timothy Morley
Director

CAPITAL MS&L LIMITED**Cash flow statement for the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
Net Cash (outflow)/inflow from operating activities	20	<u>(51)</u>	<u>134</u>
Returns on investments and servicing of finance			
Interest received		<u>16</u>	<u>12</u>
Net cash inflow for returns on investments and servicing of finance		<u>16</u>	<u>12</u>
Taxation - UK Corporation Tax		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(9)</u>	<u>-</u>
Net cash outflow for capital expenditure and financial investment		<u>(9)</u>	<u>-</u>
Cash (outflow)/inflow before use of liquid resources and financing		<u>(44)</u>	<u>146</u>
(Decrease)/increase in cash in the period	21	<u><u>(44)</u></u>	<u><u>146</u></u>
Reconciliation of net cash flow to movement in net cash			
Change in net cash resulting from cash flows	21	<u>(44)</u>	<u>146</u>
Movement in net cash in the period		(44)	146
Net cash at start of period		<u>452</u>	<u>306</u>
Net cash at end of period		<u><u>408</u></u>	<u><u>452</u></u>

CAPITAL MS&L LIMITED

Notes to the financial statements for the year ended 31 December 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

a) Basis of accounting

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

In preparing the financial statements for the current year, the Company has adopted FRS 25. The impact of the adoption of FRS 25 is to reclassify redeemable preference shares referred to in note 15 in the value of £1,436, from non-equity to long term liabilities.

b) Foreign Currency

Trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated 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 a transaction is reported as an exchange gain or loss in the profit and loss account.

c) Leases

Rentals under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

d) Tangible Fixed Assets

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives as follows:

Equipment, fixtures & fittings - 25% - 50% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

1. Accounting Policies (continued)

e) Taxation

UK corporation tax payable is provided on taxable profits at the current rate.

Deferred tax 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, or 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;
- 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.

f) Turnover

Turnover represents the gross amount of billings of financial public relations and related communications activities. Turnover is stated net of VAT and cash discounts.

g) Unbilled Work in Progress

Unbilled work in progress represents the direct cost incurred on work performed for clients not billed at the year end. It is stated at the lower of cost and net realisable value.

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****2. Segment Information**

The activities of the Company during 2005 and 2004 were principally related to the provision of financial public relations and related communications activities. The directors believe that such activities comprise a unified class of business which cannot be further refined into segments.

The geographical analysis of turnover by destination is as follows:

	2005 £'000	2004 £'000
United Kingdom	1,267	1,086
Europe	1,578	595
USA	20	777
Rest of World	<u>250</u>	<u>39</u>
	<u><u>3,115</u></u>	<u><u>2,497</u></u>

The Company's income is generated in the United Kingdom and the Company's assets are held in the United Kingdom.

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****3. Related Party Transactions**

Publicis Groupe S.A. is considered a related party on the basis of the equity shareholding in the Company, which at 31 December 2005 amounted to 59.33% through its subsidiary Manning Selvage and Lee Limited.

During the year, other than the payment of remuneration in respect of their services to the Company and loans disclosed in the Directors' Report, there were no transactions with the directors.

During the year 31 December 2005 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A.

Related party		Turnover	Purchases	Bureau		
				Services	Debtors	Creditor
		£'000	£'000	£'000	£'000	£'000
DMB&B Ltd						
	2005	137	2	334	78	1
	2004	79	4	324	-	6
MS&L New York						
	2005	2	4	-	6	14
	2004	-	-	-	-	2
Publicis Conseil						
	2005	-	-	-	-	10
	2004	-	-	-	-	-
The Facilities Group						
	2005	-	-	43	-	9
	2004	-	-	-	-	-
Publicis Consultants Ltd						
	2005	-	-	8	-	16
	2004	-	-	-	-	-

During the period, DMB&B Ltd provided a bureau service to the Company comprising Accommodation, Finance Operations and IT services. The Facilities Group Ltd provided accommodation services to the Company.

The directors believe that all transactions with related parties are on normal commercial terms.

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****4. Other Operating Expenses**

	2005 £'000	2004 £'000
Selling and marketing costs	16	36
Administrative expenses	<u>1,764</u>	<u>1,414</u>
	<u>1,780</u>	<u>1,450</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £'000	2004 £'000
Depreciation of tangible fixed assets	1	-
Auditors remuneration - audit fees	6	4
- non-audit services	-	1
Staff costs (see note 6)	<u>1,119</u>	<u>988</u>

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****6. Staff Costs**

	2005 £'000	2004 £'000
Wages and salaries	979	868
Social security costs	117	93
Pension costs	<u>23</u>	<u>27</u>
	<u><u>1,119</u></u>	<u><u>988</u></u>

The average monthly number of persons employed by the Company during the year was 13 (2004: 12), comprising:

	2005	2004
Public relations staff	11	10
Administration staff	<u>2</u>	<u>2</u>
	<u><u>13</u></u>	<u><u>12</u></u>

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****7. Directors' Remuneration**

The employee costs shown in Note 6 include the following remuneration in respect of directors of the Company:

	2005	2004
	£'000	£'000
Emoluments	416	371
Compensation for loss of office	28	-
	<u>444</u>	<u>371</u>

Pensions

There were no directors who were members of pension schemes during the year.

Highest Paid Director

The above amounts for remuneration include the following in respect of the highest paid director:

	2005	2004
	£'000	£'000
Emoluments	<u>199</u>	<u>142</u>

Directors Loans

There were no loans made to directors during the period.

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****8. Investment Income**

	2005 £'000	2004 £'000
Bank Interest receivable	16	12
	<u>16</u>	<u>12</u>

9. Dividends proposed

On 5 October 2006 the Company declared a proposed final dividend for 2005 of £118,000.

10. Tax on profit on ordinary activities

(a) Analysis of charge in year	2005 £'000	2004 £'000
Current tax:		
UK Corporation tax	71	15
Adjustments in respect of previous periods	-	-
Total Current tax (note 9(b))	<u>71</u>	<u>15</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2004: 19% - small companies rate). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	<u>218</u>	<u>79</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004: 19%)	65	15
Effects of:		
Expenses not deductible for tax purposes	6	7
Losses carried forward	<u>-</u>	<u>(7)</u>
Current tax charge for year (note 9(a))	<u>71</u>	<u>15</u>

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****10. Tax on profit on ordinary activities (continued)****(c) Factors that may affect future tax charges**

The company is unaware of any factors that will affect its future tax charge that are not currently provided as deferred tax.

11. Tangible Fixed Assets

	Equipment Fixtures & Fittings £'000
Cost:	
At 1 January 2005	3
Additions	9
At 31 December 2005	<u>12</u>
Depreciation:	
At 1 January 2005	3
Charge for the year	1
At 31 December 2005	<u>4</u>
Net book value:	
At 31 December 2005	<u>8</u>
At 31 December 2004	<u>-</u>

12. Stocks

	2005 £'000	2004 £'000
Unbilled work in progress	<u>339</u>	<u>16</u>

CAPITAL MS&L LIMITED**Notes to the financial statements for the year ended 31 December 2005****13. Debtors: amounts falling due within one year**

	2005	2004
	£'000	£'000
Trade debtors	570	539
Amounts owed by group undertakings	91	-
Prepayments and accrued income	7	84
	<u>668</u>	<u>623</u>

14. Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	157	133
Payments received on account	315	101
Amounts owed to group undertakings	59	112
VAT	24	39
Accruals and deferred income	303	329
Corporation Tax	71	15
Other creditors	7	-
	<u>936</u>	<u>729</u>

CAPITAL MS&L LIMITED

Notes to the financial statements for the year ended 31 December 2005

15. Long term creditors

	2005	2004
	£	£
Authorised:		
100,000 Non-voting redeemable preference shares of £1 each	100,000	100,000
Allotted, called up and fully paid:		
1,436 Non-voting redeemable preference shares of £1 each	1,436	1,436

Long term creditors relate entirely to the non-voting preference shares. These shares are redeemable after 1 January 2015, at par plus any premium paid and any unpaid declared preferential dividend.

16. Called Up Equity Share Capital

	2005	2004
	£	£
Authorised:		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid:		
300 Ordinary shares of £1 each	300	300

17. Reserves

	Share Capital	Share Premium Account	Profit & Loss Account	Total
	£'000	£'000	£'000	£'000
At 1 January 2005	-	328	10	338
Retained profit for year	-	-	147	147
At 31 December 2005	-	328	157	485

CAPITAL MS&L LIMITED

Notes to the financial statements for the year ended 31 December 2005

18. Reconciliation of Movement in Shareholders' Funds

	2005 £'000	2004 £'000
Retained profit for the year	147	64
Opening shareholders' funds - as restated	338	274
Closing shareholders' funds	<u>485</u>	<u>338</u>

19. Guarantees and Other Financial Commitment

At the end of the year the Company has no capital or other financial commitments.

20. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	202	67
Depreciation of tangible fixed assets	1	-
Decrease/(Increase) in unbilled work in progress	(323)	5
Increase in debtors	(67)	(57)
Increase in creditors	136	119
Net cash (outflow)/inflow from operating activities	<u>(51)</u>	<u>134</u>

21. Analysis of net debt

	At 01/01/05 £'000	Cash Flow £'000	Other Non- Cash Changes £'000	Exchange Movement £'000	At 31/12/05 £'000
Cash in hand	<u>452</u>	<u>(44)</u>	<u>-</u>	<u>-</u>	<u>408</u>

22. Ultimate controlling party

The immediate parent undertaking is MMS UK Holdings Limited, a company registered in England and Wales. MMS UK Holdings Limited is exempt, under section 228 of the Companies Act 1985, from the requirement to prepare group financial statements.

The Company's ultimate parent undertaking 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.