

Razorfish UK Limited

Report and Financial Statements

31 December 2011

Registered Number 03547882

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COMPANIES HOUSE

Directors

S Beringer

J Tomasulo

C Mellish

(appointed 28 January 2011)

Secretaries

G Walls Eckley

Auditor

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Registered Office

Pembroke Building

Kensington Village

Avonmore Road

London

W14 8DG

Directors' report

- The directors present their report and the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit for the year, after taxation, amounted to £1,395,000 (2010 £357,000) Dividends of £3,627,000 were declared and paid during the year (2010 £nil)

Principal activity and review of the business

The principal activity of the Company is the provision of digital marketing services

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

	2011 £000	2010 £000	Change %
Turnover	33,173	24,560	35%
Operating profit	1,728	473	265%
Profit after tax	1,395	357	291%
Shareholder's funds	1,497	3,627	(59%)
Current assets as a % of current liabilities	112%	151%	(39%)
Average number of employees	142	137	3%

Turnover increased by 35% during the year due to increases in media pass through billings, growth in the existing client base and new client wins

Operating profit increased by 265% due to significant improvements in project profitability, coupled with increased turnover, while at the same time overheads continued to be tightly controlled

Shareholder's funds have decreased by 59% due to dividends paid exceeding the profits retained for the current year

The Company's "current ratio" (current assets as a percentage of current liabilities) has decreased due to a reduction in working capital

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as – competitive, legislative, financial instrument, credit, liquidity and cash flow risk

- Competitive risks

The Company operates in a highly competitive market place where margins are continually under pressure However, the Company is well positioned to maintain its market share

- Legislative risks

The UK advertising industry has been subject to governmental review in certain aspects such as advertising to children However, the Company expects that any changes will merely result in a different allocation of advertising not in an overall reduction of UK advertising spend

Directors' report (continued)

Principal risks and uncertainties (continued)

- Financial instrument risks

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 objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level

- 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

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

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 for growth in 2012 from continuing operations

Directors

The directors of the Company that served during the year are shown on page 1

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 to that of other employees

Employees' involvement

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 various factors affecting the performance of the Company. Employees are consulted regularly on a wide range of matters affecting their current and future interests

Disclosure of information to the auditor


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 Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Directors' report (continued)

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



C Mellish
Director

2012

26/06/12

Statement of directors' responsibilities

- ' The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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 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.

Independent auditor's report to the member of Razorfish UK Limited

We have audited the financial statements of Razorfish UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Reconciliation of Shareholder's Funds, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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. This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 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 the 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.

Independent auditor's report to the member of Razorfish UK Limited (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



Claire Larquetoux (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

28 June 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Turnover	2	33,173	24,560
Cost of sales		(15,358)	(8,991)
Gross profit		17,815	15,569
Other operating expenses		(16,087)	(15,096)
Operating profit	3	1,728	473
Interest receivable and similar income	7	31	1
Interest payable and similar charges	8	-	(1)
Profit on ordinary activities before taxation		1,759	473
Tax on profit on ordinary activities	9	(364)	(116)
Profit for the financial year	15	1,395	357

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

The Company's turnover and operating profit all relate to continuing operations

Reconciliation of shareholder's funds

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Profit for the financial year		1,395	357
Share based payments transaction	16	102	71
Dividends declared and paid		(3,627)	-
Total movement during the year		(2,130)	428
Shareholder's funds at 1 January		3,627	3,199
Shareholder's funds at 31 December		1,497	3,627

Balance sheet

at 31 December 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible fixed assets	10	308	477
		<u>308</u>	<u>477</u>
Current assets			
Cash at bank		-	545
Work in progress		271	88
Debtors amounts falling due within one year	11	10,693	8,956
		<u>10,964</u>	<u>9,589</u>
Creditors amounts falling due within one year	12	(9,775)	(6,368)
Net current assets		<u>1,189</u>	<u>3,221</u>
Total assets less current liabilities		<u>1,497</u>	<u>3,698</u>
Provision for liabilities and charges	13	-	(71)
Net assets		<u>1,497</u>	<u>3,627</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	1,497	3,627
Shareholder's funds		<u>1,497</u>	<u>3,627</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on the below date

C Mellish
Director



26/06/12

2012

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies

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

Basis of preparation

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

Statement of cash flows

The Company is exempt from the requirement of Financial Reporting Standard 1 (Revised) "Cash Flow Statements" 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 18)

Revenue recognition

Revenue from website development services are derived from either fixed fee consulting contracts or from time and materials consulting contracts. Revenues from fixed fee consulting contracts are recognised as services are rendered using the percentage of completion method with progress to complete measured using labour hour inputs. Cost estimates on percentage of completion contracts are reviewed periodically with adjustments recorded in the period in which the revisions are made. Any anticipated losses on contracts are charged to operations as soon as they are determinable. Billings on uncompleted contracts may be greater than or less than the revenues recognised and are recorded as either accrued income (an asset) or deferred income (a liability). Revenues derived from time and materials consulting contracts are recognised as the services are performed.

Interactive marketing includes online media, search engine, email and analytics services. Fees for online media are earned in three different ways depending on the contractual terms with the client. The majority of contractual agreements with clients are structured such that interactive marketing services are billed on a fixed monthly retainer basis, with revenue being recognised in line with the monthly fee. In certain circumstances revenue is based on the value of advertising space purchased on behalf of its clients. The Company recognises this revenue over the period of the campaign at the rate at which the advertising is delivered. Revenue can also be earned based on a fixed fee consulting arrangement, which is earned based on the percentage-of-completion method described above.

Online media revenue is recognised under the gross method, which consists of the gross value of the Company's billings to its clients and includes the price of the advertising space that the Company purchases from websites to resell to its clients. To generate revenue under the gross method, the Company purchases advertising space from publisher websites whereby it was the primary obligor to the arrangement and was solely responsible for payment even if the advertising space was not utilised by its clients or funds were not collected from its clients.

Interest income

Income is recognised as interest accrues using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies (continued)

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.

Pension costs

Pension costs represent contributions payable under a defined contribution scheme and contributions made by the Company to the personal pension plans of directors and certain employees. The contributions are charged to the profit and loss account in the period to which they relate.

Tangible fixed assets

Tangible fixed assets are shown at cost net of accumulated depreciation and accumulated impairment losses.

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:

- Leasehold improvements over the term of the lease
- Office equipment 20% per annum
- Computer equipment 33% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Effect of foreign currency

Transactions denominated in foreign currencies are translated into sterling at the actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Taxation

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

Deferred tax

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 exception:

- 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.

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies (continued)

Accounting estimation techniques

The carrying amounts of certain assets and liabilities have been determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the estimate is revised. The key judgements, estimates and assumptions are

Onerous contract provision

The provision recognised is the net present value of the estimated future unavoidable costs of meeting the obligations under the contract, where the unavoidable costs exceed the economic benefits expected to be received. Any changes in the net present value of the estimated costs are reflected as an adjustment to the provision.

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 S A, 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. The 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.

Where the terms 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.

2. Turnover

The geographical analysis of turnover by destination is as follows

	2011 £000	2010 £000
United Kingdom	20,517	22,734
Europe	1,351	319
USA	6,558	-
Rest of the World	4,747	1,507
	<u>33,173</u>	<u>24,560</u>

Included in gross turnover is media space sales of £13,597,000 (2010: £8,553,000), upon which no mark up is charged by the Company.

Notes to the financial statements

for the year ended 31 December 2011

3. Operating profit

This is stated after charging

	2011 £000	2010 £000
Loss on transactions denominated in foreign currency	116	9
Depreciation of tangible fixed assets (see note 10)	258	291
Operating lease rentals - land and buildings	953	788
Staff costs (see note 5)	9,145	8,286
Auditor's remuneration (see note 4)	<u>21</u>	<u>20</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows

	2011 £000	2010 £000
Audit of the financial statements	<u>21</u>	<u>20</u>

5. Staff Costs

	2011 £000	2010 £000
Wages and salaries	7,926	7,250
Social security costs	1,057	885
Pension costs	<u>162</u>	<u>151</u>
	<u>9,145</u>	<u>8,286</u>

Included in total staff costs is £203,000 (2010 £256,000) in respect of directors' remuneration (see note 6)

The average monthly number of persons employed by the Company during the year was

	2011 No.	2010 No.
Operational and administration staff	<u>142</u>	<u>137</u>
	<u>142</u>	<u>137</u>

Notes to the financial statements

for the year ended 31 December 2011

6. Directors' emoluments

The staff costs shown in note 5 include the following remuneration in respect of directors of the Company

	2011 £000	2010 £000
Emoluments	203	252
Company contributions to money purchase pension schemes	-	4
	<u>203</u>	<u>256</u>

None of the directors were members of a money purchase pension scheme during the year (2010 1)

Highest paid director

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

	2011 £000	2010 £000
Emoluments	203	169
Company contributions to money purchase pension schemes	-	4
	<u>203</u>	<u>173</u>

7. Interest receivable and similar income

	2011 £000	2010 £000
Intercompany interest receivable	31	1
	<u>31</u>	<u>1</u>

8. Interest payable and similar charges

	2011 £000	2010 £000
Intercompany interest payable	-	1
	<u>-</u>	<u>1</u>

Notes to the financial statements

for the year ended 31 December 2011

9. Taxation

	2011 £000	2010 £000
(a) UK corporation tax		
Current tax		
Corporation tax	376	157
Prior year adjustment	-	(20)
Total current tax (note 9(b))	<u>376</u>	<u>137</u>
Deferred tax		
Origination & reversal of timing difference	(13)	27
Prior year adjustment	(2)	(51)
Rate change	3	3
Total deferred tax (note 9(c))	<u>(12)</u>	<u>(21)</u>
Tax on profit on ordinary activities	<u>364</u>	<u>116</u>

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are reconciled below

	2011 £000	2010 £000
Profit on ordinary activities before tax	<u>1,759</u>	<u>473</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	466	132
<i>Effects of</i>		
Expenses not deductible for tax purposes	42	31
Share based payments	27	20
Depreciation in excess of capital allowances	13	32
R&D relief	(172)	-
Other timing differences	-	(58)
Prior year adjustment	-	(20)
Total current tax (note 9(a))	<u>376</u>	<u>137</u>

Notes to the financial statements

for the year ended 31 December 2011

9. Taxation (continued)

(c) Deferred taxation

Deferred taxation recognised in the financial statements is as follows

	2011 £000	2010 £000
Tax effect of timing differences.		
Decelerated capital allowances	100	88
	<u>100</u>	<u>88</u>

The movement in the deferred tax asset during the year is as follows

	£000
At 1 January 2011	88
Profit and loss account	12
At 31 December 2011	<u>100</u>

(d) Factors that may affect future tax charge

It was announced in the Budget on 21 March 2012 that the UK corporation tax rate will decrease from 26% to 24% from 1 April 2012, and not 25% as originally announced in the March 2011 Budget. The change to 24% was not substantively enacted until 26 March 2012. The deferred tax balance has therefore been adjusted in the current year to reflect the change to 25%.

The UK Government also announced future corporate rate reductions, which were still to be enacted by Parliament at the balance sheet date, of further 1% reductions each year thereafter until 1 April 2014 when the rate will be 22%. These rate changes will affect the amount of future cash tax payments made by the Company. The future values of the deferred tax asset balances, disclosed above and in note 11, as a result are expected to decrease overall by £12,000 in relation to decelerated capital allowances.

10. Tangible fixed assets

	Leasehold improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost:				
At 1 January	278	328	939	1,545
Additions	11	24	61	96
Disposals	-	(43)	(41)	(84)
At 31 December	<u>289</u>	<u>309</u>	<u>959</u>	<u>1,557</u>
Depreciation:				
At 1 January	52	250	766	1,068
Charge for the year	104	31	123	258
Disposals	-	(36)	(41)	(77)
At 31 December	<u>156</u>	<u>245</u>	<u>848</u>	<u>1,249</u>
Net book value				
At 31 December 2011	<u>133</u>	<u>64</u>	<u>111</u>	<u>308</u>
At 1 January 2011	<u>226</u>	<u>78</u>	<u>173</u>	<u>477</u>

Notes to the financial statements

for the year ended 31 December 2011

11. Debtors

	2011	2010
	£000	£000
Trade debtors	4,311	6,408
Amounts owed by group undertakings	3,231	6
Prepayments and accrued income	2,994	2,454
Other debtors	57	-
Deferred taxation	100	88
	<u>10,693</u>	<u>8,956</u>

12. Creditors

	2011	2010
	£000	£000
Bank overdraft	14	-
Trade creditors	3,691	2,644
Amounts owed to group undertakings	414	639
Other taxation and social security costs	718	317
Accruals and deferred income	3,212	2,029
Payments on account	1,372	719
Corporation tax	354	20
	<u>9,775</u>	<u>6,368</u>

13. Provisions for liabilities and charges

	2011	2010
	£000	£000
At 1 January	71	193
Charge in the year	-	71
Utilisation	(71)	(193)
At 31 December	<u>-</u>	<u>71</u>

The provision of £nil (2010 £71,000) represents a provision for severance costs

Notes to the financial statements

for the year ended 31 December 2011

14. Allotted and issued share capital

	2011	2010
	£	£
<i>Allotted, called up and fully paid:</i>		
10,000 Ordinary 'A' shares of 0.5 pence each	50	50
10,000 Ordinary 'B' shares of 0.5 pence each	50	50
	<u>100</u>	<u>100</u>

15. Reserves

	Profit and loss account £000
At 1 January 2011	3,627
Profit for the year	1,395
Dividends paid	(3,627)
Share based payments transaction	102
At 31 December 2011	<u>1,497</u>

16. Share-based payments

Free share plans (all employees):

International Free Share Scheme 2011

Under this plan, the ultimate parent company, Publicis Groupe S A has awarded free shares to all eligible individuals within the Company under the condition that they remain continuously employed by the Publicis Groupe S A or certain of its subsidiaries during the vesting period of 4 years until the delivery date. Under this plan, each beneficiary will be entitled to receive

- 50 free Shares if the employee is regularly scheduled to work 21 hours or more per week,
- 25 free Shares if the employee is regularly scheduled to work less than 21 hours per week

The award made on 1st December 2011 will be effective in December 2015

Date of Management Board meeting	21 November 2011
Number of shares granted	6,100
Initial valuation of shares granted (in euros)	32.04
Assumptions	
Share price on the date of grant (in euros)	35.47
Vesting period (in years)	4
Likelihood of achievement of objectives	100%
There are 6,100 shares outstanding as at 31 December 2011 (2010: 0 shares)	

Notes to the financial statements

for the year ended 31 December 2011

16. Share-based payments (continued)

Free share plan (senior employees):

Free shares are granted to senior employees of the Company at the discretion of the Management Board of the ultimate parent company Publicis Groupe S A. The free share plans outstanding at 31 December 2011 have the following characteristics:

Long Term Incentive Plan (LTIP) 2011

Under this plan, the ultimate parent company, Publicis Groupe S A, has awarded free shares to individuals within the Company under two conditions:

First of all, the shares are subject to a condition of presence during the period of acquisition for a period of 4 years. The shares are also subject to criteria of additional performance, so that the total number of shares delivered will depend on the level of achievement of objectives of growth and profitability for the year 2011. The award, made in April 2011, will become effective in April 2015.

Date of Management Board meeting	19 April 2011
Number of shares granted	500
Initial valuation of shares granted (in euros)	34 60
Assumptions	
Share price on the date of grant (in euros)	37 71
Vesting period (in years)	4
Likelihood of achievement of objectives	100%

There are 500 shares outstanding as at 31 December 2011 (2010: 0 shares)

Free share plan – Razorfish employees

On December 1, 2009, a new Publicis Groupe S A free share plan was implemented for employees who had received Microsoft Restricted Share Units between 2007 and 2009 from the former ultimate shareholder. The number of restricted shares of Microsoft stock acquired was converted into Publicis Groupe S A shares, using the existing ratio of the average Microsoft price over the last 20 trading days and the Publicis Groupe S A share price on the acquisition date (October 13, 2009). The vesting period remained unchanged.

Date of Management Board meeting	1 December 2009
Number of shares granted	27,528
Initial valuation of shares granted (in euros)	25 31
Assumptions	
Share price on the date of grant (in euros)	25 91
Vesting period (in years)	0.5 to 4.5
Non-transferability period (in years)	2

It should be noted that the only adjustment made in the fair value of the free shares was for lost dividends during the vesting period, excluded was any non-transferability discount, the effect having been considered not material.

Notes to the financial statements

for the year ended 31 December 2011

16. Share-based payments (continued)

The following table illustrates the number and movements in the share plan during the year

	2011	2010
Outstanding as at 1 January	17,969	25,616
Granted during the year	-	-
Forfeited	-	(7,647)
Outstanding at 31 December	17,969	17,969
Exercisable at 31 December	9,641	12,850

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2011 is £102,000 (2010 £71,000)

17. Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Disclosures", not to disclose transactions with group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MMS UK Holdings Limited, a company registered in England and Wales

The ultimate parent undertaking, controlling party and the parent undertaking of the largest and smallest group to include the Company in its group 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