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# Razorfish UK Limited

## Annual Report and Financial Statements

31 December 2015

Registered Number: 03547882



**Directors**

A Marciano

Michael Karg (resigned on 31 December 2015)

Christopher John Mellish (resigned on 21 January 2015)

**Secretaries**

J Munis

R Basran

**Auditors**

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

**Registered Office**

Pembroke Building

Kensington Village

Avonmore Road

London

W14 8DG

## Strategic Report

### Principal activity and review of the business

The principal activity of the Company continues to be the provision of a comprehensive service to clients covering advertising, marketing and allied services.

During the year the company transitioned from Old UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's immediate parent undertaking is MMS UK Holdings Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS 101.

The Company has also adopted IFRS 13, IAS 19 (Revised) and IAS 1 (amendment) which became mandatory during the year. The impact of the adoption of these standards was as follows:

- The impact of the adoption of the amendments to IAS 1 was to disclose other comprehensive income which can be reclassified to profit and loss separately from other comprehensive income which cannot be recycled to profit and loss.
- There was no impact from the adoption of IFRS 13. Under FRS 101, the company has an exemption from all IFRS 13 disclosures.

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

	2015 £000	2014 £000	Change %
Revenue	12,543	12,239	2%
Operating loss	(633)	(3,679)	(83%)
Loss after tax	(552)	(2,773)	(80%)
Shareholder's (deficit) / funds	(1,193)	(728)	64%
Current assets as a % of current liabilities	82%	80%	2%
Average number of employees	88	146	(40%)

Revenue has increased by 2% over the year and remaining stable. The business is expected to restructure in 2016 and integrated into new Publicis group structure under one of four revenue streams to better support its global client base.

Losses after tax has decreased by 80% driven by tight cost controls, reduction in spending and increased revenue.

Shareholder's funds decreased by 64% mainly due to the loss in 2015.

Current assets as a percentage of current liabilities increased by 2%.

The total average number of employees has decreased by 40% to manage costs and to improve profitability.

The services offered by the Company have minimal environmental impact. However, the Board believes that good environmental practices support the Board's strategy by enhancing the reputation of the firm.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as competitive and financial instrument 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.

- Financial instrument risks

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

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 liquidity, cash flow and credit risk

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.

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.

On behalf of the board



A Mardiano  
Director

14<sup>th</sup> September 2016

## Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

### Results and dividends

The Company recorded a loss after tax for the financial year of £552,000 (2014: (£2,773,000)). No dividends were declared and paid during the year (2014: £Nil).

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 to 3. These matters relate to the principal activity and financial risks.

### Future developments

The director has decided to transfer on 29 July 2016 the trade and net assets of the Company to Sapient Limited, a fellow subsidiary of the ultimate parent company. The sole director does not expect the Company to trade in the foreseeable future but does not expect to liquidate the company in the foreseeable future.

### Directors

The directors who served during the year and thereafter are as listed 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 in 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 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 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.

### Going concern

The Company is reporting net liabilities in the current year and it has received confirmation in the form of a letter of support from its immediate parent company, MMS UK Limited that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As discussed above, the Company has transferred its trade and net assets to a fellow subsidiary company after the year end and therefore is not expected to trade beyond this transfer taking place. After making enquiries, the sole director will not be liquidating the Company in the foreseeable future but will retain it in case it is required to trade for future projects or contracts that the Publicis Groupe may enter into. The financial statements have thus been prepared on a basis other than the going concern basis.

## Directors' Report (continued)

### Post balance sheet event

On the 29 July 2016 the trade and net assets of the Company were sold to Sapient Limited, a fellow subsidiary of the ultimate parent undertaking.

On behalf of the board



A Marciano  
Director

14<sup>th</sup> September 2016

## Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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.

As explained in note 1.1 to the financial statements, the directors do not believe the going concern basis to be appropriate and the financial statements have not been prepared on this basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 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 2015 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. As described in Note 1.1, they have been prepared on a basis other than the going concern basis.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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**

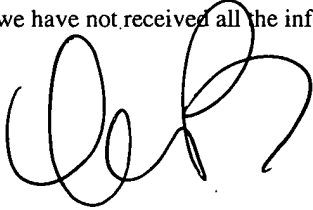
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**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.



Jacqueline Berry (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

15<sup>th</sup> September 2016

## Statement of total comprehensive income

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
<b>Billings</b>		<u>26,341</u>	<u>25,110</u>
<b>Revenue</b>	3	12,543	12,239
Administrative expenses		<u>(13,176)</u>	<u>(15,918)</u>
<b>Operating loss</b>	4	(633)	(3,679)
Interest payable and similar charges	7	<u>(39)</u>	<u>(18)</u>
<b>Loss on ordinary activities before taxation</b>		(672)	(3,697)
Tax	8	<u>120</u>	<u>924</u>
<b>Loss and total comprehensive loss for the financial year</b>		<u>(552)</u>	<u>(2,773)</u>

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

## Statement of changes in equity

for the year ended 31 December 2015

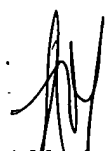
	Called up share £000	Retained earnings £000	Total Equity £000
<b>At 1 January 2014</b>	-	1,913	1,913
Loss for the financial year	-	(2,773)	(2,773)
<b>Total comprehensive loss for the year</b>		(860)	(860)
Share-based payment transactions (note 14)	-	140	140
<b>At 31 December 2014</b>		(720)	(720)
Loss for the financial year	-	(552)	(552)
<b>Total comprehensive loss for the year</b>	-	(1,272)	(1,272)
Share-based payment transactions (note 14)	-	79	79
<b>At 31 December 2015</b>	-	(1,193)	(1,193)

**Balance sheet**

at 31 December 2015

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible fixed assets	9	690	1,013
Deferred tax	8	213	174
		<u>903</u>	<u>1,187</u>
<b>Current assets</b>			
Work in progress		940	804
Debtors	10	<u>7,314</u>	<u>5,839</u>
		8,254	6,643
Creditors: amounts falling due within one year	11	<u>(10,223)</u>	<u>(8,465)</u>
<b>Net current liabilities</b>		<u>(1,969)</u>	<u>(1,822)</u>
<b>Total assets less current liabilities</b>		<u>(1,066)</u>	<u>(635)</u>
Creditors: amounts falling due after more than one year			
Provision for liabilities	12	<u>(127)</u>	<u>(85)</u>
<b>Net liabilities</b>		<u>(1,193)</u>	<u>(720)</u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Retained earnings		<u>(1,193)</u>	<u>(720)</u>
<b>Total equity</b>		<u>(1,193)</u>	<u>(720)</u>

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



A Marciano  
Director

14<sup>th</sup> September 2016

## Notes to the financial statements

for the year ended 31 December 2015

### 1. Accounting policies

#### 1.1. Basis of preparation

##### *Statement of compliance*

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

This is the first year the Company has prepared its financial statements in accordance with FRS 101, accordingly the financial information as at 1 January 2014 (being the date of transition) and for the year ended 31 December 2014 have been restated to comply with FRS 101.

UK generally accepted accounting practices ("UK GAAP") differs in certain respects from FRS 101, hence when preparing these financial statements, management has amended certain accounting and measurement bases to comply with FRS 101. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' ("IFRS 1") concerning the transition, are given in Note 17.

IFRS 1 permits the Company to take advantage of certain exemptions from applying the requirements on a fully retrospective basis as at the date of transition in certain instances.

As set out in the Directors' Report, On 29 July 2016 the Company has transferred the trade and net assets to Sapient Limited, a fellow subsidiary of the ultimate parent undertaking. After making enquiries, the sole director will not be liquidating the Company in the foreseeable future, and as such the Company financial statements have been prepared on a basis other than the going concern basis.

##### *Basis of measurement*

The financial statements have been prepared under the historical cost convention.

##### *Going concern*

The Company is reporting net liabilities in the current year and it has received confirmation in the form of a letter of support from its immediate parent company, MMS UK Limited that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As discussed above, the Company has transferred its trade and net assets to a fellow subsidiary company after the year end and therefore is not expected to trade beyond this transfer taking place. After making enquiries, the sole director will not be liquidating the Company in the foreseeable future but will retain it in case it is required to trade for future projects or contracts that the Publicis Groupe may enter into. The financial statements have thus been prepared on this basis.

##### *Disclosure exemptions applied*

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirements of IFRS 2 'Share-based Payments' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;
- (ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS

## Notes to the financial statements

for the year ended 31 December 2015

### 1. Accounting policies (continued)

18(118)(e));

- (iv) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 10(d), the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (v) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
- (vi) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vii) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;
- (viii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
- (ix) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(a) relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and

- For the disclosure exemptions listed in points (i) to (ii), the equivalent disclosures are included in the consolidated financial statements of the group, Publicis Groupe SA which the Company is consolidated into.

Further, as permitted by FRS 101 paragraph 7A, the Company has not presented an opening statement of financial position at the date of transition.

#### ***Use of estimates and judgments***

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant note.

### 1.2. Accounting principles

#### **Revenue Recognition**

A written agreement with clients (purchase order, letter, contract, etc.) indicating the nature and the amount of the work to be performed is required for the recognition of revenue. The Company's revenue recognition policies are summarised below:

- Project-based arrangements: revenue is recognised in the accounting period in which the service is rendered;
- fixed-fees: revenue is recognised on a straight-line basis, which reflects the nature and the scope of the services rendered;
- time-based fees: revenue is recognised on the basis of work done; and
- fees based on performance criteria: revenue is recognised when the performance criteria have been met and the customer has confirmed its agreement.

## Notes to the financial statements

for the year ended 31 December 2015

### 1. Accounting policies (continued)

In most of its transactions, the Company acts as an agent for its clients. For these transactions, the Company recognises the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. In certain instances, the Company acts as the principal. In these circumstances, the Company recognises the gross amount invoiced as revenue.

#### Billings

Billings represent amounts billed to clients during the year, excluding advanced billings, and is stated net of allowances, VAT and other sales related taxes.

#### 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 income statement. The Company uses derivatives such as foreign currency hedges to hedge its current or future positions against foreign exchange rate risks. These derivatives are measured at fair value, determined by reference to observable market prices at the reporting date.

#### Taxation

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

Deferred tax is recognised in respect of all temporary 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 temporary 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 temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Leases

Rentals under operating leases are charged in the income statement 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.

#### Dilapidations

Dilapidations are provided for on leasehold properties where the terms of the lease require the Company to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Company recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

#### Tangible Fixed Assets

Tangible fixed assets are stated net of accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight line basis over their estimated useful lives as follows:

Leasehold improvements	–	over the shorter of the lease term and the useful life of the asset
Furniture and equipment	–	25% to 33%

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.

## Notes to the financial statements

for the year ended 31 December 2015

### 2. Accounting policies (continued)

#### Interest Income and Expense

Interest income arises from cash and cash equivalents and balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the profit and loss account using the effective interest method.

#### Dividends

Dividend income is recognised when the Company's right to receive payment is established.

#### Investments

Fixed asset investments are shown at cost less provision for impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Work in Progress

Work in progress is stated at the lower of cost and net realisable value.

#### Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Cash at bank and in hand is carried at amortised cost.

#### Trade and other creditors

This line item includes all operating creditors (including notes payable and accrued supplier invoices) related to the purchase of goods and services including those related to media buying where the Company acts as agent. These payables are generally due within less than one year. Financial liabilities are measured at amortised cost using the effective interest method.

#### Trade and other debtors

Trade debtors are recognised at the initial amount of the invoice. Trade debtors presenting a risk of non-recovery are subject to impairment. Such allowances are determined, on a case-by-case basis, using various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of the debtor. Due to the nature of the Group's activities, trade debtors are of a short-term nature and are measured at amortised cost using the effective interest method. Nevertheless, any trade and other debtors of a longer-term nature will be recognised at their discounted value.

#### Financial liabilities carried at fair value

##### *Derivative financial instruments, including hedge accounting*

The Group holds derivative financial instruments to hedge its foreign exchange risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. The fair value includes an allowance for debit/credit value adjustment in respect of both the Company and the derivative counterparty. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### Equity and reserves

Share capital represents the nominal value of shares that have been issued.



Share premium represents the amount by which the amount received by the Company for a share issue exceeds its face value.

Retained earnings include all current and prior period retained profits.

## Notes to the financial statements

for the year ended 31 December 2015

### 1. Accounting policies (continued)

#### Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2015:

	<i>EU effective date</i>
	<i>Periods beginning on or after</i>
<i>IFRIC 21 'Levies'</i>	<i>17 June 2014</i>
<i>Annual Improvements to IFRS (2011 - 2013)</i>	<i>1 January 2015</i>
<i>IAS 19 (amendment) 'Employee Benefits' - Defined benefit plans: employee contributions</i>	<i>1 February 2015</i>
<i>Annual Improvements to IFRS (2010 - 2012)</i>	<i>1 February 2015</i>

The adoption of the standards and interpretations above has not had a material impact on the Company's financial statements.

#### Amendments to FRS 101

In July 2015, amendments were made to FRS 101 as a consequence of changes made to EU-adopted IFRS and to maintain consistency with company law. The Company has adopted these amendments early as permitted by the standard. The amendments applied are detailed as follows: (i) The amendments to paragraphs 5, 7A and 8(j) of the standard arising from the 2014/2015 cycle allows the Company to take advantage of the exemption from the requirement to present an opening statement of financial position at the date of transition and the requirement to disclose key management personnel compensation.

### 2. Revenue

An analysis of revenue by geographical market is given below:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	6,148	9,059
Europe	3,506	1,597
USA	2,644	1,573
Asia	99	2
Rest of the World	146	8
	<u>12,543</u>	<u>12,239</u>

## Notes to the financial statements

for the year ended 31 December 2015

### 3. Operating Profit / (Loss)

The operating profit is stated after charging/(crediting):

	2015 £000	2014 £000
(Gain)/loss on transactions denominated in foreign currency	64	79
Depreciation of tangible fixed assets (see note 9)	359	367
Operating lease rentals – land and buildings	1,391	1,833
Staff costs (see note 5)	5,564	10,354
Auditor's remuneration (see note 4)	13	15

### 4. Auditors remuneration

The remuneration of the auditor is further analysed as follows:

	2015 £000	2014 £000
Audit of the financial statements – Company	13	15
	<u>13</u>	<u>15</u>

### 5. Staff Costs

	2015 £000	2014 £000
Wages and salaries	4,653	8,987
Social security costs	802	1,145
Defined contribution pension scheme costs	109	222
	<u>5,564</u>	<u>10,354</u>

Included in total staff costs is £324,893 (2014: £355,000) in respect of directors' remuneration (see note 6) and a total expense for share-based payments of £79,304 (2014: £140,000) arising from transactions accounted for as equity-settled share-based payment transactions (see note 14).

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

	2015 No.	2014 No.
Advertising and administration staff	88	146
	<u>88</u>	<u>146</u>

## Notes to the financial statements

for the year ended 31 December 2015

### 6. Directors' emoluments

The directors' emoluments were as follows:

	2015 £000	2014 £000
Emoluments	308	346
Company contributions to money purchased contribution pension schemes	17	9
	<u>325</u>	<u>355</u>

There were no directors who were members of a money purchase pension scheme during the year (2014: 2).

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

	2015 £000	2014 £000
Emoluments	296	210
Company contributions to money purchased contribution pension schemes	17	6
	<u>313</u>	<u>216</u>

The directors did not exercise any share option during the year (2014: Nil)

### 7. Interest payable and similar charges

	2015 £000	2014 £000
Intercompany interest payable	39	18
	<u>39</u>	<u>18</u>

## Notes to the financial statements

for the year ended 31 December 2015

### 8. Taxation

#### (a) Analysis of charge for year

	2015 £000	2014 £000
Current tax:		
Corporation tax	(81)	(864)
Total current tax (see note 8(b))	(81)	(864)
Deferred tax:		
Origination & reversal of temporary difference	(18)	(43)
Prior year adjustment	(21)	(28)
Rate change	-	11
Total deferred tax (see note 8(c))	(39)	(11)
Total tax expenses/(credit)	(120)	(924)

#### (b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20% (2014: 21.5%). The differences are reconciled below:

	2015 £000	2014 £000
(Loss)/Profit on ordinary activities before tax	(672)	(3,686)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014: 21.5%)	(136)	(792)
Expenses not deductible for tax purposes	46	49
Employee share options	(9)	(8)
Rate change / other timing differences	-	(156)
Research and development	-	11
Tax overprovided in prior years	(21)	(28)
Total tax expenses/(credit) (see note 8(a))	(120)	(924)

## Notes to the financial statements

for the year ended 31 December 2015

### 8. Taxation (continued)

#### (c) Deferred taxation

Deferred taxation recognised in the financial statements is as follows:

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2015	132	42	174
Debit / (credit) to profit or loss	(8)	26	18
Deferred tax in respect of prior year	21	-	21
As at December 2015	<u>145</u>	<u>68</u>	<u>213</u>

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

	£000
At 1 January 2015	174
(Debit)/credit to profit or loss	39
At 31 December 2015	<u>213</u>

### 9. Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Furniture & Fittings £000	Total £000
<b>Cost:</b>				
At 1 January	1,049	457	246	1,752
Additions	-	31	5	36
Disposal	-	-	-	-
At 31 December	<u>1,049</u>	<u>488</u>	<u>251</u>	<u>1,788</u>
<b>Depreciation:</b>				
At 1 January	245	394	100	739
Charge for the year	266	49	44	359
Disposal	-	-	-	-
At 31 December	<u>511</u>	<u>144</u>	<u>443</u>	<u>1,098</u>
<b>Net book value:</b>				
At 31 December 2015	<u>538</u>	<u>45</u>	<u>107</u>	<u>690</u>
At 1 January 2015	<u>804</u>	<u>63</u>	<u>146</u>	<u>1,013</u>

## Notes to the financial statements

for the year ended 31 December 2015

### 10. Debtors

	2015 £000	2014 £000
Trade debtors	2,465	2,282
Amounts owed by other group undertakings	1,088	698
Prepayments and accrued income	2,484	1,856
VAT debtor	206	-
Other debtors	-	22
Corporation tax	1,071	972
Derivatives financial instruments	-	9
	<u>7,314</u>	<u>5,839</u>

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

	2015 £000	2014 £000
Bank overdraft	104	-
Trade creditors	2,334	1,411
Amounts owed to other group undertakings	3,753	4,233
Other taxation and social security costs	339	406
Accruals and deferred income	1,444	1,461
Prebilling	1,429	932
Other creditors	776	22
Derivatives financial instruments	44	-
	<u>10,223</u>	<u>8,465</u>

### 12. Provisions for liabilities and charges

	2015 £000	2014 £000
At 1 January	85	43
Dilapidation charge	<u>42</u>	<u>42</u>
At 31 December	<u>127</u>	<u>85</u>

A dilapidation provision was created during 2013 in relation to the future costs to be incurred on restoring the leasehold improvements to their original state. The expected costs of the restoration are £425,000 at the date of survey which includes an inflation rate of 2.22% and the lease's first break clause is in January 2018. In December 2013 Fallon sublet 2 floors of Elsley Court to Razorfish UK Limited a fellow subsidiary of the ultimate parent company, who took on responsibility of the share of the dilapidation provision, which has been recharged to Razorfish UK Limited.

## Notes to the financial statements

for the year ended 31 December 2015

### 13. Allotted and issued share capital

	2015	2014
	£	£
<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>

### 14. Share based payments

The cost recognised in respect of the share based payments in 2015 is £79,304 (2014: £140,000).

#### Free share plans (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 2014 have the following characteristics:

#### Long Term Incentive Plan (LTIP) 2014

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 2014. The award, made in March 2014, will become effective in March 2018.

#### Long Term Incentive Plan (LTIP) 2013

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 2013. The award, made in April 2013, will become effective in April 2017.

#### Long Term Incentive Plan (LTIP) 2012

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 2012. The award, made in April 2012, will become effective in April 2016.

#### 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, became effective in April 2015.



## Notes to the financial statements

for the year ended 31 December 2015

### 14. Share based payments (continued)

#### Long Term Incentive Plan (LTIP) 2010

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 2010. The award, made in August 2010, became effective in August 2014.

#### 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 1<sup>st</sup> December 2011 will be effective in December 2015.

The following table illustrates the number and weighed average exercise prices (WAEP) of share options exercised during the year.

	2015		2014	
	No	WAEP (€)	No	WAEP (€)
Exercised	1,757	-	-	-
Outstanding at 31 December	11,093	-	15,175	-

### 15. Related party transactions

The Company has taken advantage of the exemption under IAS 24, "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.

For the year ended 31 December 2015 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A that are not 100% owned.

Related Party	Creditors		Debtors		Services		Billings	
	2015	2014	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000	£000	£000
Convonix India	-	-	-	-	-	(8)	-	-
Neev Information Technologies	-	-	76	-	(20)	(27)	(200)	-

## Notes to the financial statements

for the year ended 31 December 2015

### 16. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MMS UK Holdings Limited, a company incorporated 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.

### 17. Conversion to FRS 101

Following the Company's adoption of FRS 101, the 2014 comparative information in the financial statements have been restated and re-presented under FRS101. The adoption of FRS101 has resulted in:

#### Reconciliation of equity at 1 January 2014 for the Company - date of transition to FRS 101

	UK GAAP as previously reported	Effect of transition to FRS 101	Note	FRS 101
	£000	£000		£000
<b>Fixed assets</b>				
Tangible fixed assets	433	-		433
	433	-		433
<b>Current assets</b>				
Work in progress	279	-		279
Debtors: amounts falling due within one year	9,662	20	(a)	9,682
	9,941	20		9,961
<b>Creditors: amounts falling due within one year</b>	(8,437)	(1)		(8,438)
<b>Net current assets</b>	1,504	19		1,523
<b>Total assets less current liabilities</b>	1,937	19		1,956
<b>Provision for liabilities and charges</b>	(43)	-		(43)
<b>Net assets</b>	1,894	19		1,913
<b>Capital and reserves</b>				
Called up share capital	-	-		-
Profit and loss account	1,894	19		1,913
<b>Shareholder's funds</b>	1,894	19		1,913

## Notes to the financial statements

for the year ended 31 December 2015

### 17. Conversion to FRS 101 (continued)

Reconciliation of equity at 31 December 2014

	UK GAAP as previously reported	Effect of transition to FRS 101	Note	FRS 101
	£000	£000		£000
<b>Fixed assets</b>				
Tangible fixed assets	1,013	-		1,013
	<u>1,013</u>	<u>-</u>		<u>1,013</u>
<b>Current assets</b>				
Work in progress	804	-		804
Debtors: amounts falling due within one year	6,004	9	(a)	6,013
	<u>6,808</u>	<u>9</u>		<u>6,817</u>
<b>Creditors: amounts falling due within one year</b>	<u>(8,464)</u>	<u>(1)</u>		<u>(8,465)</u>
<b>Net current assets</b>	<u>(1,656)</u>	<u>8</u>		<u>(1,648)</u>
<b>Total assets less current liabilities</b>	<u>(643)</u>	<u>8</u>		<u>(635)</u>
<b>Provision for liabilities and charges</b>	<u>(85)</u>	<u>-</u>		<u>(85)</u>
<b>Net assets</b>	<u>(728)</u>	<u>8</u>		<u>(720)</u>
<b>Capital and reserves</b>				
Called up share capital	-	-		-
Profit and loss account	<u>(728)</u>	<u>8</u>		<u>(720)</u>
<b>Shareholder's funds</b>	<u>(728)</u>	<u>8</u>		<u>(720)</u>

Reconciliation of total comprehensive income for the year ended 31 December 2014

	UK GAAP as previously reported	Effect of transition to FRS 101	Note	FRS 101
	£000	£000		£000
<b>Billings</b>	<u>25,110</u>	<u>-</u>		<u>25,110</u>
<b>Revenue</b>	<u>12,239</u>	<u>-</u>		<u>12,239</u>
Other operating expenses	<u>(15,907)</u>	<u>(11)</u>	(a)	<u>(15,918)</u>
<b>Operating (loss)/profit</b>	<u>(3,668)</u>	<u>(11)</u>		<u>(3,679)</u>
Interest receivable and similar income	-	-		-
Interest payable and similar charges	<u>(18)</u>	<u>-</u>		<u>(18)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	<u>(3,686)</u>	<u>(11)</u>		<u>(3,697)</u>
Tax on (loss)/profit on ordinary activities	<u>924</u>	<u>-</u>		<u>924</u>
<b>(Loss)/profit for the financial year</b>	<u>(2,762)</u>	<u>(11)</u>		<u>(2,773)</u>

## **Notes to the financial statements**

for the year ended 31 December 2015

### **17. Conversion to FRS 101 (continued)**

#### **Reconciliation of equity at 31 December 2014**

##### **(a) Foreign Exchange Derivatives**

On transition to FRS 101, the fair value of foreign exchange derivatives were recognised in debtors and accounted for a £9,000 at 31 December 2014 (£20,000 at 1 January 2014) adjustment in the Balance Sheet with a £11,000 debit in other operating expenses in the Statement of Comprehensive income for the year to 31 December 2014.

### **18. Post balance sheet events**

On the 29 July 2016 the trade and net assets of the Company were sold to Sapient Limited, a fellow subsidiary of the ultimate parent undertaking.