

Razorfish UK Limited

Annual Report and Financial Statements

31 December 2016

Company Number 03547882

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COMPANIES HOUSE

Directors

G Elliott (appointed 19 October 2016)
N Vaz (appointed 19 October 2016)
A Marciano

Secretaries

J Munis
R Basran (resigned 18 January 2017)
N Raj (appointed 7 June 2017)

Auditor

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.

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

	2016 £000	2015 £000	Change %
Revenue	7,532	12,543	(40%)
Operating loss	(2,179)	(633)	(244%)
Loss after tax	(1,880)	(552)	(241%)
Shareholder's deficit	(2,976)	(1,193)	(149%)

On 1 August 2016, the Company transferred its trade and some of the assets and liabilities to Sapient Limited. The transfer resulted in a decrease in revenue during the year.

Operating loss and loss after tax increased as a result of the operating costs involved in disposing assets.

Shareholder's deficit increased due to the loss during 2016.

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

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

N Vaz
Director

20 September 2017

Directors' Report

The directors present their report and the audited financial statements of Razorfish UK Limited (the "Company") for the year ended 31 December 2016.

Results and dividends

The Company recorded a loss after tax for the financial year of £1,880,000 (2015: £552,000). No dividends were declared and paid during the year (2015: 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 page 2. These matters relate to the principal activity and financial risks.

Events during the period

On 1 August 2016 the trade and some of the assets and liabilities of the Company were transferred to Sapient Limited, a fellow subsidiary of the ultimate parent company. The directors do not expect the Company to trade in the foreseeable future.

Directors

The directors who served during the year and thereafter are as listed on page 1.

Directors indemnity

The directors confirm that no qualifying third party indemnity provision in favour of any directors of the Company, as defined by Section 236 of the Companies Act 2006, either by the Company or by any other party, was in force at the time of the signing of the report, and that no such provision had been in force at any time in the financial year.

Events after the balance sheet date

No significant events affecting the Company since the end of the financial year were noted.

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.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

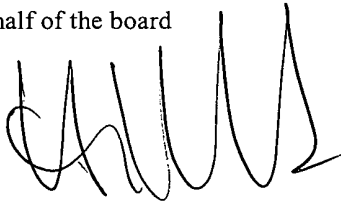
Directors' Report (continued)

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 Holdings 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 some of the assets and liabilities to a fellow subsidiary company during the year and therefore is not expected to trade beyond this transfer taking place. After making enquiries, the directors' 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.

On behalf of the board



N Vaz

Director

20 September 2017

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.

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 2016 which comprise the Statement of total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 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 Ethical Standards for Auditors. This report is made solely to the Company's member 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 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 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.

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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.



David Herbinet
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

24 September 2017

Statement of total comprehensive income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Billings¹		<u>10,037</u>	<u>26,341</u>
Revenue	2	7,532	12,543
Administrative expenses		<u>(9,711)</u>	<u>(13,176)</u>
Operating loss	3	<u>(2,179)</u>	<u>(633)</u>
Interest payable and similar charges	7	<u>(43)</u>	<u>(39)</u>
Loss on ordinary activities before taxation		<u>(2,222)</u>	<u>(672)</u>
Tax	8	<u>342</u>	<u>120</u>
Total comprehensive loss for the financial year		<u>(1,880)</u>	<u>(552)</u>

The Company's revenue and operating loss all relate to discontinued operations.

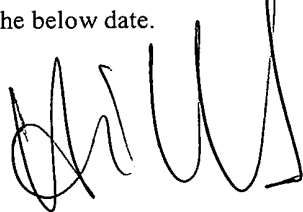
¹Billings is a management alternative performance measure and comprises the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned and recharge of third party costs.

Balance sheet

at 31 December 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	9	-	690
Deferred tax asset	8	-	213
		-	903
Current assets			
Work in progress		-	940
Trade and other receivables	10	1,637	7,314
Derivative assets	16	6	-
Cash and cash equivalents		2	-
		1,645	8,254
Current liabilities			
Derivative liabilities	16	-	(44)
Trade and other payables	11	(4,542)	(10,179)
Net current liabilities		(2,897)	(1,969)
Total assets less current liabilities		(2,897)	(1,066)
Provisions for liabilities	12	(79)	(127)
Net liabilities		(2,976)	(1,193)
Capital and reserves			
Called up share capital	13	-	-
Retained earnings		(2,976)	(1,193)
Total deficit		(2,976)	(1,193)

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



N Vaz
Director

20 September 2017

Statement of changes in equity

for the year ended 31 December 2016

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2015	-	(720)	(720)
Loss for the financial year	-	(552)	(552)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(552)	(552)
Share-based payment transactions	-	79	79
At 31 December 2015	-	(1,193)	(1,193)
Loss for the financial year	-	(1,880)	(1,880)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,880)	(1,880)
Share-based payment transactions	-	97	97
At 31 December 2016	-	(2,976)	(2,976)

Notes to the financial statements

for the year ended 31 December 2016

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').

As set out in the Directors' Report, on 1 August 2016 the Company transferred its trade and some of its assets and liabilities 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 except for certain financial instruments which are measured at fair value.

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 Holdings 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 some of the assets and liabilities to a fellow subsidiary company during the year and therefore is not expected to trade beyond this transfer taking place. After making enquiries, the directors 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.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 paragraph 8:

- (i) The requirements of IFRS 2 'Share-based Payment' 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 38(118)(e));
- (iv) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, 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;

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied (continued)

- (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
- (vii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing.

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

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, 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 judgements 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant notes highlighted below:

- revenue recognition on client projects;
- fair-value measurement of stock options awarded under Publicis Groupe S.A.'s stock option plans;

Detailed disclosures concerning these matters are provided in Notes 1.2, and 14.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

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.

The Company acts as an agent or principal depending on the contractual agreements with its clients. If acting as an agent, the Company recognises the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. If acting as the principal, 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 statement of comprehensive income. 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.

Income Tax

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 statement of comprehensive income 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.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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.

Property, plant and equipment

Property, plant and equipment are stated net of accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any 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% per annum
Computer equipment	–	33% per annum

Residual value is calculated on prices prevailing at the date of acquisition. The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in the statement of comprehensive income.

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 statement of comprehensive income using the effective interest method.

Dividends

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

Work in Progress

This mainly includes work in progress linked to our advertising business, i.e. the technical work involved in the creation and production of advertisements for print, TV, radio, publishing, etc. for which the client is ultimately liable but has not yet been invoiced. They are recognised on the basis of costs incurred and a provision is recorded when their net realisable amount is lower than cost. Un-billable work or costs incurred relating to new client development activities are not recognised as assets, except for tendering expenses which may be re-invoiced to the client under the terms of the contract. In order to assess the net realisable amount work in progress is reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of commercial disputes with the client.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are recognised at the initial amount of the invoice. Trade receivables 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 receivables are of a short-term nature and are measured at amortised cost using the effective interest method. Nevertheless, any trade and other receivables of a longer-term nature will be recognised at their discounted value.

Trade and other payables

This line item includes all operating payables (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.

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.

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 in note 16.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Share based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on 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 using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement is cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, 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 for 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 (including when a non-vesting condition within the control of the entity or employee is met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income 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 statement of comprehensive income.

Equity and reserves

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

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (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 2016:

	EU effective date Periods beginning on or after
IAS 1 (amendment) Presentation of Financial Statements	1 January 2016
IAS 16 (amendment) Property, Plant and Equipment and IAS 38 (amendment) Intangible Assets	1 January 2016
IAS 16 (amendment) Property, Plant and Equipment and IAS 41 (amendment) Agriculture – Agriculture: Bearer plants	1 January 2016
IAS 19 (amendment) Employee Benefits	1 February 2015
IAS 27 (amendment) Separate Financial Statements	1 January 2016
IFRS 10 (amendment) Consolidated Financial Statements, IFRS 12 (amendment) Disclosures of Interests in Other Entities and IAS 28 (amendment) Investments in Associates and Joint Ventures	1 January 2016
IFRS 11 (amendment) Joint Arrangements	1 January 2016
Annual Improvements to IFRS (2010 - 2012)	1 February 2015
Annual Improvements to IFRS (2012 - 2014)	1 January 2016

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

Notes to the financial statements

for the year ended 31 December 2016

2. Revenue

An analysis of revenue by geographical market is given below:

	2016 £000	2015 £000
United Kingdom	4,498	6,148
Europe	1,259	3,506
USA	1,476	2,644
Asia	40	99
Rest of the World	259	146
	<u>7,532</u>	<u>12,543</u>

3. Operating loss

The operating loss is stated after charging:

	2016 £000	2015 £000
Loss on transactions denominated in foreign currency	171	64
Depreciation of property, plant and equipment (note 9)	170	359
Operating leases – land and buildings	849	1,391
Loss on disposal of property, plant and equipment	477	-
Staff costs (note 5)	4,143	5,564
Auditor's remuneration (note 4)	<u>12</u>	<u>13</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2016 £000	2015 £000
Audit of the financial statements – Company	<u>12</u>	<u>13</u>

Notes to the financial statements

for the year ended 31 December 2016

5. Staff Costs

	2016 £000	2015 £000
Wages and salaries	3,569	4,653
Social security costs	496	802
Defined contribution pension scheme costs (see note 19)	78	109
	<u>4,143</u>	<u>5,564</u>

Included in total staff costs is £nil (2015: £324,893) in respect of directors' remuneration (see note 6) and a total expense for share-based payments of £97,000 (2015: £79,000) 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:

	2016 No.	2015 No.
Client services	41	41
Productions	36	31
Administration	18	16
	<u>95</u>	<u>88</u>

The 95 reported above for 2016 is an average for the 7 months prior to the transfer of staff and trade to Sapient Limited.

6. Directors' remuneration

The directors' remuneration were as follows:

	2016 £000	2015 £000
Remuneration	-	308
Pension contributions	-	17
	<u>-</u>	<u>325</u>

There were no directors who were members of a money purchase pension scheme during the year (2015: nil).

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

	2016 £000	2015 £000
Remuneration	-	296
Pension contributions	-	17
	<u>-</u>	<u>313</u>

The directors did not exercise any share options during the year.

Notes to the financial statements

for the year ended 31 December 2016

7. Interest payable and similar charges

	2016 £000	2015 £000
Intercompany interest payable	<u>43</u>	<u>39</u>

8. Taxation

(a) Analysis of charge for year

	2016 £000	2015 £000
Current tax:		
Corporation tax	(327)	(81)
Prior year adjustment	104	-
Total current tax	<u>(223)</u>	<u>(81)</u>
Deferred tax:		
Origination and reversal of temporary difference	(37)	(18)
Adjustment in respect of previous periods	<u>(82)</u>	<u>(21)</u>
Total deferred tax (see note 8(c))	<u>(119)</u>	<u>(39)</u>
Tax on profit/loss on ordinary activities (see note 8(b))	<u><u>(342)</u></u>	<u><u>(120)</u></u>

(b) Factors affecting tax charge for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	<u>(2,222)</u>	<u>(672)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	<u>(443)</u>	<u>(136)</u>
Expenses not deductible for tax purposes	108	46
Employee share options	(29)	(9)
Tax overprovided in prior years	22	(21)
Total tax (see note 8(a))	<u><u>(342)</u></u>	<u><u>(120)</u></u>

Notes to the financial statements

for the year ended 31 December 2016

8. Taxation (continued)

(c) Deferred taxation

	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
Effect of changes in tax rates	21	-	21
As at December 2015	145	68	213
Debit/(credit) to profit or loss	19	18	37
Deferred tax in respect of prior year	82	-	82
Transferred to associated company	(246)	(86)	(332)
As at December 2016	-	-	-

9. Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Furniture and equipment £000	Total £000
Cost:				
At 1 January 2016	1,049	488	251	1,788
Additions	-	37	-	37
Disposal	(1,049)	(525)	(184)	(1,758)
Transfer	-	-	(67)	(67)
At 31 December 2016	-	-	-	-
Depreciation:				
At 1 January 2016	(511)	(443)	(144)	(1,098)
Charge for the year	(132)	(23)	(14)	(170)
Disposal	643	466	146	1,256
Transfer	-	-	12	12
At 31 December 2016	-	-	-	-
Net book value:				
At 31 December 2016	-	-	-	-
At 1 January 2016	538	45	107	690

During the year computer equipment with a net value of £55,000 was transferred to Sapient Limited as part of the transfer of trade and assets.

Notes to the financial statements

for the year ended 31 December 2016

10. Trade and other receivables

	2016 £000	2015 £000
Trade debtors	-	2,465
Amounts owed by other group undertakings	1,627	2,159
Prepayments and accrued income	-	2,484
Value added tax	10	206
	<u>1,637</u>	<u>7,314</u>

11. Trade and other payables

	2016 £000	2015 £000
Bank overdraft	-	104
Trade payables	-	2,334
Amounts owed to group undertakings	4,542	3,753
Other taxation and social security costs	-	339
Accruals and deferred income	-	1,444
Prebilling	-	1,429
Other payables	-	776
	<u>4,542</u>	<u>10,179</u>

12. Provisions

	2016 £000	2015 £000
Balance as at 1 January	127	85
Dilapidation charge	-	42
Transferred to related entity	(48)	-
Balance as at 31 December	<u>79</u>	<u>127</u>

In December 2013 Razorfish UK Limited sublet 2 floors of Elsley Court from Fallon London Limited, a fellow subsidiary of the ultimate parent company. The lease's first break clause was in January 2018. The total estimated dilapidation provision for the building was £425,000 and it was agreed that Razorfish and Fallon would share the responsibility for the related costs.

Part of the dilapidations provision was transferred to Sapient Limited, as part of the transfer of trade and assets during the year to cover the dilapidation costs expected to be incurred.

Notes to the financial statements

for the year ended 31 December 2016

13. Allotted and issued share capital

	2016	2015
<i>Allotted, called up and fully paid</i>		
10,000 ordinary "A" shares of 0.5p each	50	50
10,000 ordinary "B" shares of 0.5p each	50	50
	<u>100</u>	<u>100</u>

14. Share based payments

Long Term Incentive Plan (LTIP) 2016

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

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2016. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in June 2019.

Long Term Incentive Plan (LTIP) 2015

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

Firstly, employment must continue throughout the four-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2015. The award, made in 2015, will vest in April 2019.

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 vest 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 vest 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, which have vested in April 2016.

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14. Share based payments (continued)

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

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

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

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

	2016		2015	
	No	WAEP (€)	No	WAEP (€)
Outstanding at 1 January	11,093		15,175	
Granted	500		4,200	
Transferred outside UK	-		(200)	
Transfers	(10,800)		-	
Cancelled	(750)		(6,325)	
Exercised	(43)	34.60 ¹	(1,757)	33.43 ²
Outstanding at 31 December	-	56.11	11,093	55.09

¹ The weighted average share price at the date of exercise for the options exercised is €34.60.

² The weighted average share price at the date of exercise for the options exercised is €33.43.

For the share options outstanding as at 31 December 2016, the weighted average remaining contractual life is 0 years (2015:1.94 years).

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 2016 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A. that are not 100% owned.

Related Party	Payables		Receivables		Services		Billings	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Neev Information Technologies	-	-	-	76	-	(20)	(6)	(200)

Notes to the financial statements

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16. Financial instruments

The derivatives, which have a three month life, are valued based on a discounted cash flow, using quoted forward rates (an observable input) and discounted at a rate that takes in to account credit risk.

Categories of financial instruments held at fair value

	2016 £000	2015 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	6	-
Total	6	-
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	-	(44)
Total	-	(44)

Fair value hierarchy

The table below breaks down financial instruments recognised at fair value according to the measurement method used. The different levels of fair value have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable data other than quoted prices for identical assets or liabilities in active markets;
- Level 3: Unobservable data.

Derivative financial instruments valued using level 2 valuation techniques.

Changes in the value of financial instruments at fair value

Profit for the year has been arrived after charging/(crediting)

	2016 £000	2015 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	1	1
Total	1	1
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(4)	(2)
Total	(4)	(2)

17. 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.