

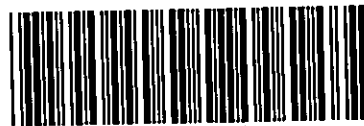
Registered number 06331310

Facebook UK Limited

Directors' report and financial statements

for the year ended 31 December 2012

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Facebook UK Limited

Company Information

Directors	S H Crehan D W Kling J S Athwal
Company secretary	Jordan Cosec Limited
Company number	06331310
Registered office	Gladstone House 77-79 High Street Egham Surrey TW20 9HY
Auditors	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2 Ireland

Facebook UK Limited

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Facebook UK Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Principal activity

The principal activity of the company in the year under review was that of providing marketing support to the Facebook Group

Business review

The company's business activities have grown during 2012. The total of marketing services provided to the Facebook Group amounted to £34,616,042, which is an increase of £14,202,500 on the value of marketing services provided in 2011. Loss before tax has decreased from a loss of £13,928,926 in 2011 to £2,420,679 in 2012.

Principal risks and uncertainties

The principal risks and uncertainties have been identified as the emergence of rival social networks, security and privacy breaches, global recession reducing online advertising spend, challenges around monetising mobile usage and user engagement.

Future developments

The company has increased its activities and headcount during the year and is positioned to continue growing during 2013. On 26 March 2012, Facebook UK moved into new premises at 42 Earham Street to enable the company to continue to grow its headcount. On 24 July 2012, it was announced that Facebook UK would become the first engineering office outside of the US and the company had hired 22 engineers by the year end. Further expansion of the engineering office is planned for 2013.

Results and dividends

The loss for the financial year, after taxation, amounted to £6,335,589 (2011 loss £10,229,869).

No dividends will be distributed for the year ended 31 December 2012 (2011 £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

C R Herman (resigned 20 November 2012)

T W Ulliyot (resigned 5 July 2013)

S H Crehan (appointed 1 July 2013)

D W Kling (appointed 1 July 2013)

J S Athwal (appointed 1 July 2013)

Facebook UK Limited

Directors' report for the year ended 31 December 2012

Financial instruments

The company's financial instruments at the balance sheet date comprised of loans, from the parent company and fellow group undertakings, plus cash and liquid resources. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade creditors, that arise directly from its operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the company's financial instruments is foreign currency risk.

- Foreign currency risk

The gains and losses arising from the company's exposure to foreign currency risk arising from its overseas operations are recognised in the profit and loss account.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

Facebook UK Limited

Directors' report for the year ended 31 December 2012

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young will therefore continue in office

By order of the board



S H Crehan

Director

Date

27/9/13



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Independent Auditors' Report to the Members of Facebook UK Limited

We have audited the financial statements of Facebook UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 22. 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)

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

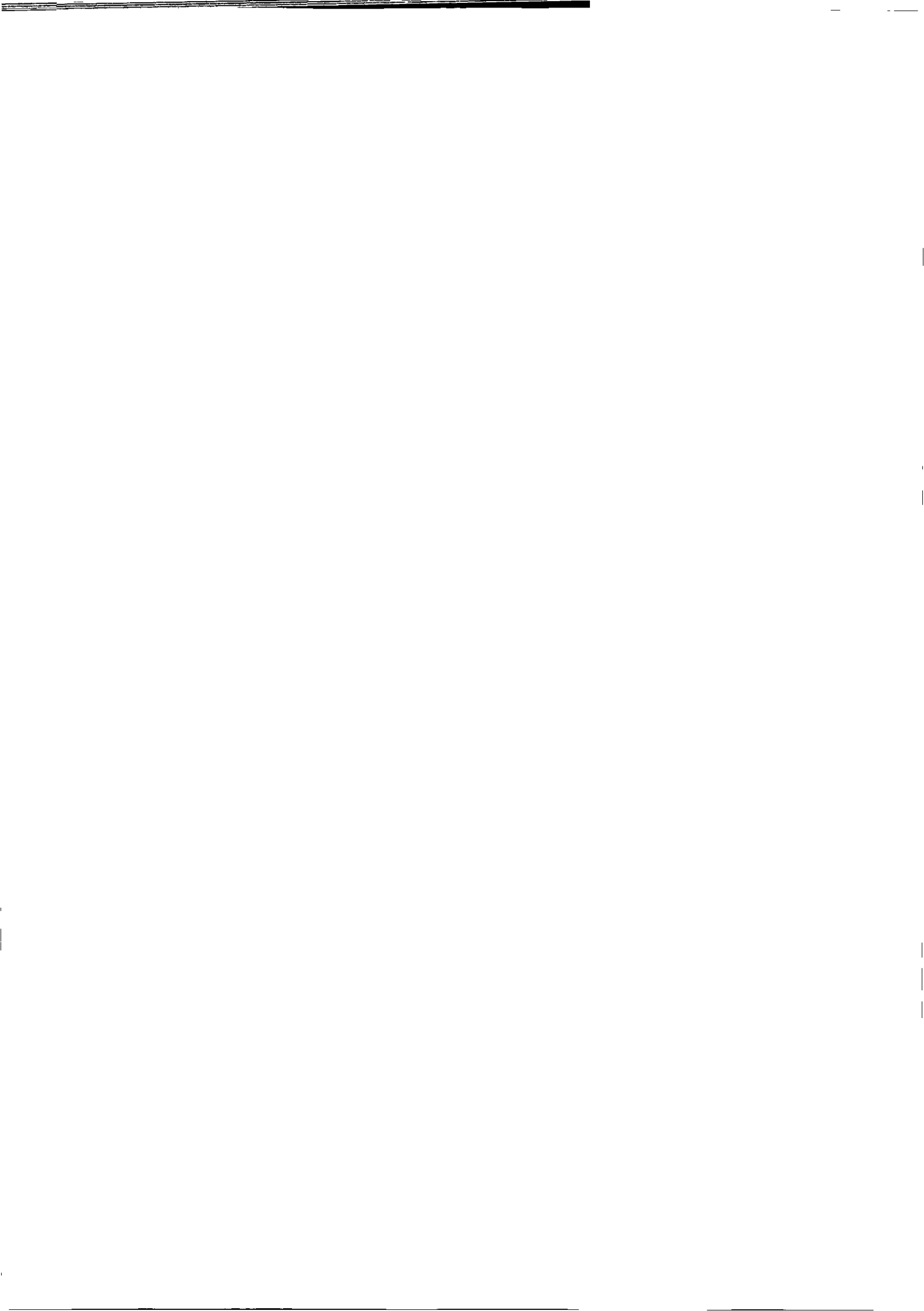
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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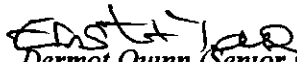
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Independent Auditors' Report to the Members of Facebook UK Limited Limited (*Continued*)

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
- the financial statements are not in agreement with the accounting records; 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


Dermot Quinn (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor

Dublin

27 September 2013



Facebook UK Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,2	34,616,042	20,413,542
Cost of sales		(473,387)	(274,084)
Gross profit		34,142,655	20,139,458
Administrative expenses		(36,556,482)	(34,071,121)
Operating loss	3	(2,413,827)	(13,931,663)
Interest receivable and similar income		8,977	2,737
Interest payable and similar charges	5	(15,829)	-
Loss on ordinary activities before taxation		(2,420,679)	(13,928,926)
Tax on loss on ordinary activities	6	(3,914,910)	3,699,057
Loss for the financial year	14	(6,335,589)	(10,229,869)

The results for the current and prior year are in respect of continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 9 to 19 form part of these financial statements


Facebook UK Limited

Registered number 06331310

Balance sheet as at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	7		3,521,827		754,888
Current assets					
Debtors	8	6,409,691		6,606,869	
Cash at bank and in hand		4,078,169		3,212,157	
			<u>10,487,860</u>	<u>9,819,026</u>	
Creditors , amounts falling due within one year	9	(5,201,037)		(2,623,780)	
Net current assets			<u>5,286,823</u>		7,195,246
Total assets less current liabilities			<u>8,808,650</u>		7,950,134
Creditors , amounts falling due after more than one year	10		(2,777,344)		(1,261,737)
Provisions for liabilities					
Other provisions	12		(936,100)		-
Net assets			<u>5,095,206</u>		<u>6,688,397</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		5,094,206		6,687,397
Shareholders' funds	15		<u>5,095,206</u>		<u>6,688,397</u>

The financial statements on pages 6 to 19 were approved and authorised for issue by the board of directors on 2013 and were signed on its behalf by

 27/12/13

S H Crehan
Director

The notes on pages 9 to 19 form part of these financial statements



Facebook UK Limited

Cash flow statement for the year ended 31 December 2012

	Note	2012 £	2011 £
Net cash flow from operating activities	16	5,371,020	2,358,910
Net cash inflow from returns on investments and servicing of finance	17	3,649	2,737
Taxation	17	(745,485)	(548,427)
Net cash outflow from capital expenditure and financial investment	17	(3,763,172)	(379,715)
Increase in cash during the year		866,012	1,433,505

Reconciliation of net cash flow to movement in net funds for the year ended 31 December 2012

	2012 £	2011 £
Increase in cash during the year	866,012	1,433,505
Movement in net funds in the year	866,012	1,433,505
Net funds at 1 January	3,212,157	1,778,652
Net funds at 31 December	4,078,169	3,212,157

The notes on pages 9 to 19 form part of these financial statements

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

1.1 Basis of preparation of the financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Companies Act 2006 and applicable United Kingdom accounting standards

The principal accounting policies, which have been applied consistently in the current and previous financial year, are set out below

1.2 Turnover

Turnover comprises the fair value of the consideration receivable for the sale of services to the Facebook Group in the ordinary course of the company's activities. Revenue is shown net of value-added tax

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity

1.3 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.4 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.5 Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Straight line over period of the lease
Plant & machinery	-	33% on cost
Fixtures & fittings	-	20% on cost
Computer equipment	-	33% on cost
Assets in the course of construction	-	no depreciation as assets not in use

1.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, unless the impact of discounting is immaterial. The increase in the provision due to passage of time is recognised as interest expense.

1.8 Share based payments

Facebook Inc (the "ultimate holding company") operates a share-based compensation plan. Employees of the Company receive remuneration in the form of equity instruments being restricted ordinary shares ('RSUs') of its ultimate holding company as consideration for services rendered.

The fair value of the employee services received in exchange for the grant of the RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted.

Non-market performance and service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the ultimate holding company revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting conditions. The Company recognises the impact of the revision to original estimates, if any, in the income statement.

When the RSUs are exercised, the ultimate holding company issues new shares.

The grant of equity instruments ('RSUs') by the ultimate holding company to the employees of the Company is treated as equity-settled, with a corresponding increase in equity as a contribution from the ultimate holding company.

2. Turnover

The total turnover of the company is derived from its principal activity and is attributable to Ireland.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

3 Operating loss

The operating loss is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	954,474	500,777
Auditors' remuneration	15,600	15,000
Operating lease rentals		
- other operating leases	1,746,532	426,076
Difference on foreign exchange	13,223	325
	<u>1,789,829</u>	<u>948,178</u>

The directors of the company were also senior executives of, and were remunerated by, Facebook Inc and Facebook Ireland and received no remuneration for services to the company

4. Staff costs

Staff costs were as follows

	2012 £	2011 £
Wages and salaries	14,127,102	8,241,055
Social security costs	2,983,669	1,121,560
Share based payment charge (see note 19)	4,742,398	15,443,334
	<u>21,853,169</u>	<u>24,805,949</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No	2011 No
Management team	11	7
Administration team	10	4
Technical team	17	10
Sales team	81	69
	<u>119</u>	<u>90</u>

5 Interest payable and similar charges

	2012 £	2011 £
On loans from group undertakings	15,829	-
	<u>15,829</u>	<u>-</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

6 Taxation

	2012 £	2011 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	185,196
Adjustments in respect of prior periods	-	10,694
Foreign tax adjustments in respect of prior periods	-	42,427
Total current tax	<u>-</u>	<u>238,317</u>
Deferred tax		
Origination and reversal of timing differences	3,905,250	(4,156,417)
Adjustment in respect of previous periods	-	(14,342)
Effect of changes in tax rates	9,660	233,385
Total deferred tax (see note 11)	<u>3,914,910</u>	<u>(3,937,374)</u>
Tax on loss on ordinary activities	<u>3,914,910</u>	<u>(3,699,057)</u>

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is different than the standard rate of corporation tax 24.5% (2011 26.49%). The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	<u>(2,420,679)</u>	<u>(13,928,926)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26.49%)	(593,000)	(3,690,211)
Effects of		
Expenses not deductible for tax purposes	161,584	110,151
Depreciation for year in excess of capital allowances	77,224	73,130
Unrecognised tax losses carried forward	11,826,993	-
Adjustments to tax charge in respect of prior periods	-	53,121
Timing differences on share based payments	(11,472,801)	3,692,126
Current tax charge for the year	<u>-</u>	<u>238,317</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

6 Taxation (continued)

Factors that may affect future tax charges

During the year, as a result of the changes in the UK main corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and was effective from 1 April 2013, the relevant deferred tax balances have been re-measured

Further reductions to the main rate were enacted on 2 July 2013. These changes include the reduction of the main rate to 21% from 1 April 2014 and 20% from 1 April 2015. The changes have not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements

The company has unrecognised deferred tax assets of £15,870,973 (2011: £nil) which can be offset against suitable future profits (see note 11)

7 Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Assets in the course of construction £	Total £
Cost						
At 1 January 2012	217,246	179,917	139,215	1,192,856	152,788	1,882,022
Additions	3,787,349	21,411	10,575	754,728	-	4,574,063
Disposals	(217,246)	-	-	(1,249,783)	-	(1,467,029)
Transfers	152,788	-	-	-	(152,788)	-
At 31 December 2012	<u>3,940,137</u>	<u>201,328</u>	<u>149,790</u>	<u>697,801</u>	<u>-</u>	<u>4,989,056</u>
Depreciation						
At 1 January 2012	158,643	115,101	118,632	734,758	-	1,127,134
Charge for the year	500,188	44,563	16,079	393,644	-	954,474
On disposals	(175,486)	-	-	(438,893)	-	(614,379)
At 31 December 2012	<u>483,345</u>	<u>159,664</u>	<u>134,711</u>	<u>689,509</u>	<u>-</u>	<u>1,467,229</u>
Net book value						
At 31 December 2012	<u>3,456,792</u>	<u>41,664</u>	<u>15,079</u>	<u>8,292</u>	<u>-</u>	<u>3,521,827</u>
At 31 December 2011	<u>58,603</u>	<u>64,816</u>	<u>20,583</u>	<u>458,098</u>	<u>152,788</u>	<u>754,888</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

8 Debtors

	2012 £	2011 £
Amounts owed by group undertakings	4,920,105	2,078,721
Corporation tax	905,683	160,198
Other debtors	390,433	237,122
Prepayments and accrued income	193,470	215,918
Deferred tax asset (see note 11)	-	3,914,910
	<u>6,409,691</u>	<u>6,606,869</u>

9 Creditors' amounts falling due within one year

	2012 £	2011 £
Trade creditors	265,428	405,597
Amounts owed to group undertakings	1,378,435	64,264
Other taxation and social security	895,904	374,684
Accruals and deferred income	2,661,270	1,779,235
	<u>5,201,037</u>	<u>2,623,780</u>

Amounts owed to group undertakings are unsecured and repayable on demand £1,210,501 (2011 £nil) of which bear interest at 1% above LIBOR and the remaining £167,934 (2011 £64,264) is interest free

10 Creditors' amounts falling due after more than one year

	2012 £	2011 £
Amounts owed to group undertaking	1,261,737	1,261,737
Accruals and deferred income	1,515,607	-
	<u>2,777,344</u>	<u>1,261,737</u>

Amounts owed to group undertaking are unsecured and interest free. Whilst there is no fixed repayment date, repayment of this balance will not be sought within twelve months of the balance sheet date

11 Deferred tax asset

	2012 £	2011 £
At beginning of year	3,914,910	(22,464)
(Charged)/credited during year (see note 6)	(3,914,910)	3,937,374
	<u>-</u>	<u>3,914,910</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

11. Deferred tax asset (continued)

The deferred taxation balance is made up as follows

	2012 £	2011 £
Accelerated capital allowances	129,320	61,757
Timing differences on share based payments	4,635,653	3,853,153
Losses carried forward	11,106,000	-
Deferred tax not provided for	(15,870,973)	-
	<u>-</u>	<u>3,914,910</u>

The deferred tax asset has not been recognised as there is uncertainty that in the foreseeable future there will be suitable profits from which the underlying timing differences can be deducted

12. Provisions

	Dilapidations £
At 1 January 2012	-
Increase in provision during the year	936,100
	<u>936,100</u>
At 31 December 2012	<u>936,100</u>

Dilapidations

The dilapidation provision relates to the estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. Any reconstruction work would occur at the end of the lease in 2018. Amounts charged to the profit and loss account in the year are included within administrative expenses. The provision is not discounted as the effect of discounting is not material.

13. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14. Reserves

	Profit and loss account £
At 1 January 2012	6,687,397
Loss for the financial year	(6,335,589)
Reserve credit for share based payment plan	4,742,398
	<u>5,094,206</u>
At 31 December 2012	<u>5,094,206</u>



Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

15 Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	6,688,397	1,474,932
Loss for the financial year	(6,335,589)	(10,229,869)
Reserve credit for share based payment plan	4,742,398	15,443,334
	<u>5,095,206</u>	<u>6,688,397</u>

16 Net cash flow from operating activities

	2012 £	2011 £
Operating loss	(2,413,827)	(13,931,663)
Share based payment charge	4,742,398	15,443,334
Depreciation of tangible fixed assets	954,474	500,777
Loss on disposal of tangible fixed assets	41,760	-
(Increase)/decrease in debtors	(2,972,247)	174,425
Increase in creditors	4,082,362	172,037
Increase in provisions	936,100	-
	<u>5,371,020</u>	<u>2,358,910</u>

17. Analysis of cash flows for headings netted in cash flow statement

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	8,977	2,737
Interest paid	(5,328)	-
	<u>3,649</u>	<u>2,737</u>
Taxation		
Corporation tax paid	(745,485)	(548,427)
	<u>2012 £</u>	<u>2011 £</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,574,063)	(386,902)
Sale of tangible fixed assets	810,891	7,187
	<u>(3,763,172)</u>	<u>(379,715)</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2012

18 Analysis of changes in net debt

	1 January 2012 £	Cash flow £	31 December 2012 £
Cash at bank and in hand	3,212,157	866,012	4,078,169
Net funds	3,212,157	866,012	4,078,169

19 Share based payments

At 31 December 2012 Facebook, Inc had one active stock based employee compensation plan (the 2012 Equity Incentive Plan ("the Plan"), which replaced the 2005 Stock Plan on 31 January 2012), under which new awards may be granted. Awards may include incentive share options, non statutory share options, share purchase rights or restricted ordinary shares. The company has granted only restricted ordinary shares ('RSUs') to employees of Facebook UK Limited. RSUs may be settled in cash or equity however the company intends to equity settle all RSUs. The vesting condition of the RSUs is that the employees must remain in employment until the initial vesting event.

The Plan, permits the grant of RSUs over ordinary shares (class B common stock) in Facebook, Inc. The per share exercise price of RSUs granted is generally nil.

The fair value of each RSU is estimated on the date of grant as the share price at the date of grant.

RSUs are granted to employees under the Plan upon hire or based on performance criteria established by management. RSUs are independent of ordinary share options and are subject to forfeiture if employment terminates prior to the release of the restrictions.

Prior to 2010 RSUs were earned on a monthly schedule with vesting subject to an initial vesting event. 25% of the shares would vest on the first anniversary of the vesting event and 2.083% per month thereafter. RSUs granted after 1 January 2010 vest quarterly, with 25% of the shares vesting on the first anniversary of the initial vesting event and 6.25% per quarter thereafter.

Prior to 1 January 2011 an initial vesting event is defined as either (i) the date that is six months after the effective date of an initial public offering of Facebook Inc securities or (ii) the date of a change in control of Facebook, Inc. After 1 January 2011 an initial vesting event is defined as either (i) 31 December 2013 or (ii) an earlier date between 1 January 2013 and 31 December 2013 that is specified by Facebook, Inc or (iii) the date of a change in control of Facebook, Inc.

During the vesting period, ownership of the shares cannot be transferred. Once shares are issued pursuant to the terms of an RSU agreement, these shares have the same dividend and voting rights as other ordinary shares.

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Notes to the financial statements for the year ended 31 December 2012

19 Share based payments (continued)

A reconciliation of movements in the number of RSUs outstanding are as follows

	2012 RSUs Number	2011 RSUs Number
Outstanding at 1 January	7,299,154	6,907,615
Granted	395,113	657,190
Movements*	(2,006,534)	-
Settled	(4,057,347)	(118,336)
Forfeited	(319,123)	(147,315)
Outstanding at 31 December	1,311,263	7,299,154
Vested, but not settled at 31 December	197,867	5,402,395

*This accounts for the net change in outstanding awards due to employee transfers across territories

The fair value of RSUs granted in the year was £21.33 (US\$34.43) (2011 £16.23 (US\$26.02))

The weighted average share price during the year for RSUs settled was £2.02 (US\$3.26) (2011 £11.23 (US\$18.05))

The total charge for the year relating to employee share based payment plans was £4,742,398 (US\$7,655,653) (2011 £15,443,334 (US\$24,764,807))

The weighted average fair value of RSUs granted (determined as the share price at granted date) and the assumptions used in the calculation are as follows for each RSU available

	RSUs 2012	RSUs 2011
Grant date	29/05/2012	23/04/2011
Share price at grant date	£21.33 (US\$34.43)	£16.23 (US\$26.02)
Exercise price	-	-
Number of employees - granted	134	106
Shares under award	395,113	657,190
Vesting periods (years)	4.00	4.51
Expected dividends expressed as a dividend yield	-	-
Weighted average fair value per RSU granted	£21.33 (US\$34.43)	£16.23 (US\$26.02)

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Notes to the financial statements for the year ended 31 December 2012

19 Share based payments (continued)

RSUs outstanding at the end of the year have the following expiry dates and have an exercise price of £nil

	Year of grant	2012 RSUs Number	2011 RSUs Number
Vesting period			
4 years	2006	-	15,000
4 years	2007	-	104,859
4 years	2008	-	3,965,625
4 years	2009	151,887	1,423,735
4 years	2010	282,551	1,156,465
4 years	2011	186,943	304,000
5 years	2011	320,312	329,470
4 years	2012	369,570	-
Total RSUs outstanding at 31 December		1,311,263	7,299,154

20 Operating lease commitments

At 31 December the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2012	2011
	£	£
Expiry date:		
Within 1 year	-	268,629
After more than 5 years	1,492,073	-

21 Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Facebook Inc

22 Immediate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Facebook Global Holdings II LLC, a company registered in the United States of America Facebook Global Holdings II LLC does not prepare publicly available consolidated financial statements

The company's ultimate parent undertaking is Facebook Inc, a company registered in the United States of America Facebook Inc prepares consolidated financial statements which are publicly available at investor.fb.com