

Registration number 4332188

# TBWA UK Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2015

Parent company accounts of  
TBWA\London Limited  
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## **TBWA UK Group Ltd**

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## **TBWA UK Group Ltd**

### **Strategic Report for the Year Ended 31 December 2015**

The Directors present their strategic report for the year ended 31 December 2015

The purpose of this strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the company)

#### **Fair review of the business**

A strong financial performance was maintained in 2015 as indicated by a stable operating profit margin excluding amortisation of goodwill of 17.51% (2014 17.54%). Revenue increased by 18% against 2014.

The revenue increase was driven by a number of factors, including a full years revenue for egplus Worldwide Ltd, plus a growth in their income due to taking over the production side of business from other Omnicom businesses. Other revenue growth areas include Mother Tongue Ltd and TBWA London Ltd due to the growth of the promotional and retail shopper marketing division and Media Arts Lab division.

The increase in direct costs was mainly driven by an increase on Mother Tongue Ltd due to a large project incurring direct costs and a full years trading on egplus Worldwide Ltd.

Discretionary reductions in advertising, marketing and corporate communications services spending by clients are still prevalent so the Group continues to manage its cost base against gross profit.

At the end of the year the Group had net current assets of £17,678,354 (2014 £9,117,216). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out in note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

The key indicators reviewed focus on revenue, operating margin and administrative expenses excluding goodwill amortisation.

Operating expenses are measured in two distinct categories, staff costs and office and administrative expenses.

Staff costs are primarily comprised of employee compensation and related costs including freelance compensation and direct service costs. As the Group is a service business, these costs are monitored on a percentage of revenue basis. Staff costs tend to fluctuate in conjunction with changes in revenue, whereas administrative expenses, which are not directly related to servicing clients, tend to decrease as a percentage of revenue as revenue increases because a significant portion of these expenses are relatively fixed in nature. During 2015, staff costs as a percentage of gross profit have remained stable at 58.6% compared to 58.9% in 2014.

Office and administrative expenses are primarily comprised of rent and occupancy costs, technology related costs and depreciation and lease costs. During the year office and administration expenses excluding goodwill amortisation remained stable as a percentage of income at 23.2% compared to 23.1% in 2014. Overall office and administration costs excluding goodwill increased by 18.1% in 2015. This increase is mainly in rent and occupancy costs, and was partly a result of growth in egplus Worldwide Ltd and additional office space being occupied, plus the loss of some 3rd party rental income. In addition TBWA UK Group Ltd relocated offices resulting in some additional costs in 2015.

Going forward it is expected that there will be some reduction in these overheads in 2016. It is felt that TBWA UK Group Ltd is a robust and effective Company that is prepared to meet the challenges of future years.

## TBWA UK Group Ltd

### Strategic Report for the Year Ended 31 December 2015

	Unit	2015	2014
Staff costs as a % of revenue	%	57.50	58.20
Office and admin expenses (excluding goodwill amortisation) as % of revenue	%	23.20	23.10
Operating margin	%	17.51	17.54

#### Principal risks and uncertainties

The business environment in which we participate is highly competitive. Key competitive considerations for keeping existing business and winning new business include the ability to develop creative solutions that meet client needs, the quality and effectiveness of the services offered, and the ability to efficiently serve clients, particularly large international clients, on a broad geographic basis. While many of the client relationships are long-standing, companies put their advertising, marketing and corporate communication service business up for competitive review from time to time. Accounts have been won and lost in the past as a result of these reviews. To the extent that the business is not able to remain competitive, revenue may be adversely affected, which could then affect the results of operations and financial position.

Clients generally are able to reduce marketing spending or cancel projects at any time for any reason. Any client could decide not to continue to utilise services to the same extent as they have in the past, or at all in the future. A significant reduction in marketing spending by the largest clients, or the loss of several of the largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect revenue, which could materially adversely affect results of operations and financial position.

In addition, key personnel could be lost or may not be attracted to the business. Employees are our most important assets. The ability to retain key personnel is an important aspect of our competitiveness. A continuing ability to attract and retain those employees is important to the business and if the business is unable to do so, the ability to provide services in the manner that our clients have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients and which could have a material adverse effect on results of operations and financial position.

Government agencies and consumer groups have directly or indirectly from time to time affected or attempted to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, through regulations or other governmental action. Any such limitations on the scope of the content of services could affect the ability to meet clients needs. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system to challenge advertising practices. Such claims by businesses or governmental agencies could have a material adverse effect on results of operations and financial position in the future.

We rely on information technology systems and infrastructure to process transactions, summarise results and manage our business, including maintaining client marketing and advertising information. Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. Likewise, data security incidents and breaches by employees and others with or without permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorised persons or to the public. Additionally, we utilise third parties, including cloud providers, to store, transfer or process data. While we have taken what we believe are prudent measures to protect our data and information technology systems, there can be no absolute assurance that our efforts will prevent system failures or network disruptions or breaches in our systems, or in systems of third parties we use, that could adversely affect our reputation or business.

## **TBWA UK Group Ltd**

### **Strategic Report for the Year Ended 31 December 2015**


Global economic conditions have a direct impact on our business and financial performance. In particular, current global economic conditions pose a risk that our clients may reduce future spending on advertising and marketing services which could reduce the demand for our services. If domestic or global economic conditions worsen or do not improve, our results of operations and financial position could be adversely affected. We will continue to closely monitor economic conditions, client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future economic conditions, reductions in our client revenue, changes in client creditworthiness and other developments will be effective.

Global economic uncertainty, turmoil in the credit markets or a contraction in the availability of credit may make it more difficult for businesses, including us, to meet their working capital requirements and could lead clients to seek to change their financial relationship with their vendors including us. This could cause our clients to reduce spending on our services, delay the payment for our services or take additional actions that would negatively affect our working capital. We could need to obtain additional financing to fund our day-to-day working capital requirements in such circumstance. There is no assurance that such additional financing would be available on favourable terms, if at all. Such circumstances could have a material effect on our results of operations and financial position.

Government or legislative action may limit the tax deductibility of advertising expenditures by certain industries or for certain products or services. These actions could cause our clients affected by such actions to reduce their spending on our services which could have a material adverse effect on our results of operations and financial position. Further laws and regulations, related to user privacy, use of personal information and internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of new communications technologies and the use of current communications as advertising mediums. These actions could affect our business and reduce demand for certain services, which could have a material adverse effect on our results of operations and financial position.

Following the EU referendum, there has been no adverse impact to business to date. The Group will continue to monitor the medium to long term impact of the referendum on the business activities.

Approved by the Board on 15 September 2016 and signed on its behalf by

  
G. Smith  
Director

## **TBWA UK Group Ltd**

### **Directors' Report for the Year Ended 31 December 2015**

The Directors present their report and the consolidated financial statements for the year ended 31 December 2015

#### **Principal activity**

The principal activity of the company is that of a holding Company for companies providing advertising and marketing services including healthcare advertising and consultancy, the provision of translation services, developing digital solutions, the provision of relationship marketing activities and providing a full service production facility. The holding company provides management and administration services to these subsidiaries.

The 2015 results include a full year of trading from the acquisition of egplus Worldwide Ltd from AMV BBDO Investments Ltd on July 1, 2014.

#### **Post Balance Sheet Events**

On July 1, 2016, the Company transferred the entire issued share capital of TBWA Paling Walters to Diversified Agency Services Ltd for a consideration of £13,138,231.

On July 31, 2016, the preference shares issued to Omnicom Finance PLC were redeemed at the face value of £13,138,231. The preference shares were issued in 2009 to fund the acquisition of Paling Walters Ltd.

#### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: £nil).

On 6th June 2016, an interim dividend was paid to TBWA EMEA Ltd of £8,000,000.

#### **Directors of the company**

The directors who held office during the year were as follows:

D. Streiff

H.G. Kellerhals

G. Smith

#### **Political and charitable donations**

During the year the Group made political donations of £nil (2014: £nil). Donations to charity amounted to £nil (2014: £5,504).

## **TBWA UK Group Ltd**

### **Directors' Report for the Year Ended 31 December 2015**

#### **Employment of disabled persons**

TBWA UK Group Ltd is committed to being an equal opportunities employer and opposes all forms of unlawful discrimination. Our objective is to have a diverse workforce.

The Group believes that individuals should be treated on their merits and that employment-related decisions should be based on objective job-related criteria such as aptitude and skills.

It is our policy that all employees should have equal opportunities for promotion and training. The group trains and develops its staff in close relationship with various training organisations. The group recognises the need to ensure effective communication with employees.

Senior management are regularly informed of group development in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with employees as appropriate. The group believes in promoting where possible from within the organisation on the basis of ability and merit.

Full and fair consideration is given to applications for employment of disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for the appropriate training, career development and promotion of disabled persons.

#### **Branches outside the United Kingdom**

Mother Tongue Pte Ltd, 991A Alexandra Road, #01-07, 119969, Singapore

Mother Tongue Inc, 1 Little West, 12th Street, New York, NY10014, United States

#### **Disclosure of information to the auditors**

Each Director who held office at the date of approval of this directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Reappointment of auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 15 September 2016 and signed on its behalf by



G. Smith  
Director

239 Old Marylebone Road  
London  
NW1 5QT

## **TBWA UK Group Ltd**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent Auditor's Report to the members of TBWA UK Group Ltd**

We have audited the financial statements of TBWA UK Group Ltd for the year ended 31 December 2015, set out on pages 8 to 35. 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities (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 to the financial statements.

### **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 Group's and the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on 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.

### **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 Company 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.

*S. Richardson*

Simon Richardson (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square  
Canary Wharf  
London  
E14 5GL

15 September 2016

# TBWA UK Group Ltd

## Consolidated Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £	2014 £
Gross billings		349,266,401	323,781,530
Rebillable costs		<u>(275,405,391)</u>	<u>(260,999,313)</u>
Revenue	2	73,861,010	62,782,217
Direct costs		<u>(1,368,860)</u>	<u>(729,879)</u>
Gross Profit		72,492,150	62,052,338
Administrative expenses		(60,936,520)	(52,098,638)
Other operating income		<u>43,025</u>	<u>-</u>
Operating Profit	3	11,598,655	9,953,700
Other interest receivable and similar income	7	720,653	680,678
Amounts written off investments		-	(1,094,000)
Interest payable and similar charges	8	<u>(900,536)</u>	<u>(809,926)</u>
Profit before tax		11,418,772	8,730,452
Taxation	9	<u>(1,817,042)</u>	<u>(2,284,690)</u>
Profit for the financial year		<u>9,601,730</u>	<u>6,445,762</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>9,601,730</u>	<u>6,445,762</u>

The results shown above are derived wholly from continuing operations. There were no recognised gains or losses in either the current or prior year except as shown above. Consequently, a statement of comprehensive income has not been prepared.

**TBWA UK Group Ltd**

**(Registration number: 4332188)**

**Consolidated Balance Sheet as at 31 December 2015**

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	10	9,454,731	8,774,041
Tangible assets	11	<u>1,283,258</u>	<u>1,300,962</u>
		<u>10,737,989</u>	<u>10,075,003</u>
<b>Current assets</b>			
Stocks	13	5,347,834	5,838,088
Debtors	14	131,574,142	98,576,683
Cash at bank and in hand		<u>124,703</u>	<u>250,477</u>
		137,046,679	104,665,248
Creditors: Amounts falling due within one year	15	<u>(119,368,325)</u>	<u>(95,548,032)</u>
Net current assets		<u>17,678,354</u>	<u>9,117,216</u>
Total assets less current liabilities		28,416,343	19,192,219
Creditors: Amounts falling due after more than one year	15	(7,221,932)	(6,799,591)
Provisions for liabilities	16	<u>(1,580,455)</u>	<u>(2,380,402)</u>
Net assets		<u>19,613,956</u>	<u>10,012,226</u>
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Share premium reserve		848,982	848,982
Retained earnings		<u>18,764,971</u>	<u>9,163,241</u>
Equity attributable to owners of the company		<u>19,613,956</u>	<u>10,012,226</u>
Total equity		<u>19,613,956</u>	<u>10,012,226</u>

Approved and authorised by the Board on 15 September 2016 and signed on its behalf by



G. Smith  
Director

**TBWA UK Group Ltd**

**(Registration number: 4332188)  
Company Balance Sheet as at 31 December 2015**

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Investments	12	69,975,613	68,938,918
<b>Current assets</b>			
Debtors	14	34,197,824	27,706,803
Creditors. Amounts falling due within one year	15	<u>(40,529,228)</u>	<u>(38,776,682)</u>
Net current liabilities		<u>(6,331,404)</u>	<u>(11,069,879)</u>
Total assets less current liabilities		63,644,209	57,869,039
Creditors: Amounts falling due after more than one year	15	(7,221,932)	(6,799,591)
Provisions for liabilities	16	<u>(1,262,955)</u>	<u>(2,142,902)</u>
Net assets		<u>55,159,322</u>	<u>48,926,546</u>
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Retained earnings		<u>55,159,319</u>	<u>48,926,543</u>
Total equity		<u>55,159,322</u>	<u>48,926,546</u>

Approved and authorised by the Board on 15 September 2016 and signed on its behalf by



G Smith  
Director

**TBWA UK Group Ltd**

**Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015**

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	3	848,982	9,163,241	10,012,226
Profit for the year	-	-	9,601,730	9,601,730
Total comprehensive income	-	-	9,601,730	9,601,730
At 31 December 2015	3	848,982	18,764,971	19,613,956
	Share capital £	Other reserves £	Retained earnings £	Total £
At 1 January 2014	3	1	2,717,479	3,566,465
Profit for the year	-	-	6,445,762	6,445,762
Total comprehensive income	-	-	6,445,762	6,445,762
Other reserve movements	-	(1)	-	(1)
At 31 December 2014	3	848,982	9,163,241	10,012,226

# **TBWA UK Group Ltd**

## **Statement of Changes in Equity for the Year Ended 31 December 2015**

	Share capital £	Retained earnings £	Total £
At 1 January 2015	3	48,926,543	48,926,546
Profit for the year	-	6,232,776	6,232,776
Total comprehensive income	-	6,232,776	6,232,776
At 31 December 2015	3	55,159,319	55,159,322
	Share capital £	Profit and loss account £	Total £
At 1 January 2014	3	35,635,503	35,635,506
Profit for the year	-	9,328,651	9,328,651
Total comprehensive income	-	9,328,651	9,328,651
Other reserve movements	-	3,962,389	3,962,389
At 31 December 2014	3	48,926,543	48,926,546

# TBWA UK Group Ltd

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2015

	Note	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Profit for the year		9,601,730	6,445,762
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	2,099,488	1,717,742
Profit on disposal of tangible assets		(24,991)	(200)
Interest receivable and similar income	7	(720,653)	(680,678)
Interest payable and similar charges	8	900,536	809,926
Share based payment expenses		231,128	165,028
Income tax expense	9	1,817,042	2,284,690
Amounts written off investments		-	1,094,000
		<u>13,904,280</u>	<u>11,836,270</u>
<b>Working capital adjustments</b>			
Decrease/(increase) in stocks	13	490,254	(855,774)
Increase in trade debtors	14	(27,849,547)	(4,185,523)
Increase in trade creditors	15	24,616,339	1,066,722
Movement in provision		<u>(131,447)</u>	<u>(30,004)</u>
Cash generated from operations		11,029,879	7,831,691
Income taxes paid	9	<u>(2,756,262)</u>	<u>(1,801,802)</u>
Net cash flow from operating activities		<u>8,273,617</u>	<u>6,029,889</u>
<b>Cash flows from investing activities</b>			
Interest received		720,653	680,678
Acquisitions of tangible assets		(703,506)	(190,373)
Proceeds from sale of tangible assets		24,980	621
Acquisition of intangible assets	10	-	(3,138,586)
Settlement of dilapidations		(668,500)	-
Non-current liabilities		-	(40,000)
Cash flow on earnout on CPPL		<u>(1,753,934)</u>	<u>-</u>
Net cash flows from investing activities		<u>(2,380,307)</u>	<u>(2,687,660)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(198,368)	(131,445)
Interest on preference shares		(584,848)	(580,771)
Ring fenced cash held by Omnicom		<u>(5,235,868)</u>	<u>(2,749,038)</u>
Net cash flows from financing activities		<u>(6,019,084)</u>	<u>(3,461,254)</u>
Net decrease in cash and cash equivalents		(125,774)	(119,025)
Cash and cash equivalents at 1 January		<u>250,477</u>	<u>369,502</u>
Cash and cash equivalents at 31 December		<u>124,703</u>	<u>250,477</u>

The notes on pages 14 to 35 form an integral part of these financial statements

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **1 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

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

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The financial statements are presented in sterling the Company's functional currency.

The financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied.

In the transition to FRS 102 from old UK GAAP, the Group and Company has made no measurement recognition adjustments.

The Group has net current assets of £17,678,354 at 31 December 2015 (2014: £9,117,216). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis. The Company has net current liabilities of £(6,331,404) at 31 December 2015 (2014: £(11,069,879)).

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, the group's UK treasury operations, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc and Omnicom Financial Services Limited or by Omnicom Finance plc and Omnicom Financial Services Limited depositing cash with the Company. The Company's access to borrowings under the cash concentration arrangement is not limited as long as these borrowings are required in the normal course of business and are made in accordance with the Omnicom Group Inc Grant of Authority.

Omnicom Finance plc, is able to make this commitment because Omnicom Finance plc is a co-borrower with Omnicom Finance Inc and Omnicom Capital Inc under certain group bank facilities which are more fully described in the Omnicom Group Inc financial statements filed on Form 10-K and available at [www.OmnicomGroup.com](http://www.OmnicomGroup.com).

The directors consider the combination of the group facilities and expected funding requirements of the Omnicom Group Inc and its subsidiaries provides sufficient access to funding to ensure that the Company is able to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors have prepared the financial statements as a going concern.

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to December 31, 2015.



## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Subsidiary Exemption**

For the year ended 31 December 2015, the Group subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006.

The Group subsidiaries entitled to take the exemption are:

TBWA London Ltd  
Tequila London Ltd  
Being London Ltd  
TBWA Paling Walters Ltd  
E-graphics Ltd  
TBWA Manchester Ltd  
egplus Worldwide Ltd  
Mother Tongue Ltd

Mother Tongue Ltd has not taken the exemption and audited accounts have been prepared.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Summary of disclosure exemptions**

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- **Fair value or revaluation as deemed cost** – The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets, and specific intangible assets.
- **Separate financial instruments** – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at January 1, 2014.
- **Lease arrangements** – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at January 1, 2014 rather than commencement date of the arrangement.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures for the parent company financial statements only:

- Reconciliation of the number of shares outstanding from the beginning to end of the period,
- Cash Flow Statement and related notes, and
- Key Management Personnel compensation.

As the consolidated financial statements of Omnicom Group Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures, for the parent company financial statements only:

- Certain disclosures required by FRS 102 26 Share Based Payments, and,
- The disclosures required by FRS 102 11 Basic Financial Instruments and FRS 102 12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

These financial statements are consolidated in the financial statements of Omnicom Group Inc.

The financial statements of Omnicom Group Inc may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY 10022, USA.

The Company is a subsidiary undertaking of Omnicom Group Inc incorporated in the United States of America and is the largest group in which the results are consolidated.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Key sources of estimation uncertainty**

Impairment reviews of the Company's investments set out in note 12 are reviewed by determining the net recoverable value using the Omnicom discounted cash flow model, with which future cash flows have been projected over a 5 year period and include a terminal value to incorporate expected growth thereafter. The projected cash flows have been discounted by the UK Group's pre-tax WACC rate of 10.7%.

The cash flow projections assume a growth rate of between 2.5% and 20% for each year dependent on the individual subsidiaries, which reflects management's conservative estimate of the medium term operating performance. The terminal value is calculated using a perpetuity model which assumes a long term growth rate of between 2.5% and 5% dependent on the individual subsidiary and reflects the long term GDP growth forecasts for the region and industry.

Impairment reviews of goodwill for income generating units, set out in note 10 are conducted by comparing the net book value of the goodwill to the net present value of the discounted cashflows, using the Omnicom discounted cash flow model. The carrying amount of goodwill is £22,132,236 (2014 -£16,675,283).

#### **Gross Billings**

Gross billings are recognised when the service is performed, in accordance with the terms and conditions of the contractual arrangement and when collection is reasonably assured.

Gross billings comprises the gross amounts billed to clients in respect of commission based income together with the total of other fees earned and amounts recharged to clients for rebillable costs.

#### **Rebillable costs**

Rebillable costs comprise media payments and third party production costs for those services that the Company is arranging for its clients in its capacity as an intermediary. The Company contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the Company bears credit risk in respect of these activities, the arrangements with its clients are such that, in effect it acts as an intermediary on behalf of its client. Where the Company acts as an intermediary, costs incurred with external suppliers are excluded from revenue.

#### **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Group recognises revenue when

The amount of revenue can be reliably measured,  
it is probable that future economic benefits will flow to the entity,  
and specific criteria have been met for each of the Group's activities.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

#### **Fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets.

##### **Asset class**

Furniture, fittings and equipment

Leasehold Improvements

Office equipment

Motor Vehicles

##### **Depreciation method and rate**

10%, 25% and 33% per annum

lower of lease or asset life if shorter on a straight line basis

33 33% per annum straight line basis

25% per annum straight line basis

#### **Goodwill**

Goodwill is amortised over its useful life, which shall not exceed five years if a reliable estimate of the useful life cannot be made.

#### **Fixed asset investments**

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

#### **Cash at bank and in hand**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stocks**

Stock and work in progress is valued at the lower of cost and net realisable value. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes expenses incurred on unbilled work.

Work in progress consists of amounts spent by the Group on behalf of its clients which have not been recharged to clients by the end of the year.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

#### **Provisions**

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### **Defined contribution pension obligation**

The Group operates a defined contribution benefit scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **Share based payments**

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black-Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 2 Revenue

The whole of the Group's gross billings, revenue and operating profit for the year related to its principal activities, which consists of subsidiaries of the holding company TBWA UK Group Ltd providing advertising and marketing services including healthcare advertising and consultancy, the provision of translation services, developing digital solutions, the provision of advertising marketing services and providing a full service production facility

The analysis of the group's revenue for the year from continuing operations for rendering of services is as follows

	2015	2014
	£	£
UK	42,999,151	28,352,152
Europe	22,300,720	25,167,367
Rest of world	8,561,139	9,262,698
	<u>73,861,010</u>	<u>62,782,217</u>

#### 3 Operating profit/loss

Arrived at after charging/(crediting)

	2015	2014
	£	£
Depreciation on tangible fixed assets owned	721,221	639,419
Amortisation of software and goodwill	1,378,267	1,078,323
Foreign exchange (gains) / losses	222,029	118,868
Profit on disposal of property, plant and equipment	(24,991)	(200)
Hire of plant and machinery - rentals payable under operating leases	816,931	753,571
Hire of other assets - rentals payable under operating leases	7,193,638	6,230,714
Rental income	<u>(4,531,648)</u>	<u>(4,500,087)</u>

#### 4 Auditors' remuneration

	2015	2014
	£	£
Audit of these financial statements	<u>123,326</u>	<u>138,676</u>
Other fees to auditors		
Audit-related assurance services	<u>53,174</u>	<u>29,272</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 5 Directors' remuneration

	2015	2014
	£	£
Directors' emoluments	1,877,418	1,574,783
Amounts receivable under long term incentive schemes	1,086,944	175,016
	<u>2,964,362</u>	<u>1,749,799</u>
Company contributions to money purchase pension schemes	119,735	97,886
	<u>3,084,097</u>	<u>1,847,685</u>

During the year the number of directors who were receiving benefits was as follows

	2015	2014
	No.	No.
Accruing benefits under money purchase pension scheme	<u>7</u>	<u>7</u>

In respect of the highest paid director

	2015	2014
	£	£
Remuneration	352,556	363,058
Benefits under long-term incentive schemes (excluding shares)	903,582	91,295
Company contributions to money purchase pension schemes	<u>30,000</u>	<u>29,867</u>

The Group's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking. Shares were received or receivable under this restricted share scheme by 5 directors (2014: 5).

Under this scheme, certain directors have been awarded restricted shares in the ultimate parent undertaking, Omnicom Group Inc. The restricted shares typically vest in 20% annual increments provided the director remains an employee of the Omnicom group. Restricted shares may not be sold, transferred, pledged or otherwise encumbered until the restrictions lapse. Under most circumstances, the director forfeits the shares still subject to restriction if the director ceases employment prior to the end of the period of restriction.

Directors are considered to be Key Management Personnel.

# TBWA UK Group Ltd

## Notes to the Financial Statements for the Year Ended 31 December 2015

### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows

	2015 £	2014 £
Wages and salaries	29,785,438	25,414,206
Share related awards	231,128	165,028
Social security costs	3,511,010	3,139,927
Pension and other post-employment benefit costs	831,795	672,770
Severance/loss of office	639,170	283,394
	<u>34,998,541</u>	<u>29,675,325</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows

	2015 No.	2014 No.
Production	161	144
Administration and support	100	105
Sales, marketing and distribution	1	1
Other departments	296	256
	<u>558</u>	<u>506</u>

### 7 Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	46	64
Receivable from group undertakings	720,607	680,614
	<u>720,653</u>	<u>680,678</u>

### 8 Interest payable and similar charges

	2015 £	2014 £
Payable to group undertakings	96,713	131,443
Interest payable on shares classified as liabilities	584,848	580,771
Other interest payable	218,975	97,712
	<u>900,536</u>	<u>809,926</u>



# TBWA UK Group Ltd

## Notes to the Financial Statements for the Year Ended 31 December 2015

### 9 Taxation

Tax charged/(credited) in the income statement

	2015 £	2014 £
<b>Current taxation</b>		
Current tax on income for the period	2,118,977	2,080,030
Adjustments in respect of previous periods	(494,026)	183,966
	<u>1,624,951</u>	<u>2,263,996</u>
Current foreign tax on income for the period	126,189	-
Foreign tax adjustment to prior periods	(22,056)	-
	<u>104,133</u>	<u>-</u>
Total current income tax	<u>1,729,084</u>	<u>2,263,996</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	60,865	(26,552)
Effect of increased/decreased tax rate on opening liability	27,702	25,532
Adjustment in respect of previous periods	(609)	21,714
Total deferred taxation	<u>87,958</u>	<u>20,694</u>
Tax expense in the income statement	<u>1,817,042</u>	<u>2,284,690</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2014 - higher than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%)

The differences are reconciled below

	2015 £	2014 £
Profit before tax	<u>11,418,772</u>	<u>8,730,452</u>
Corporation tax at standard rate	2,312,301	1,877,047
Effect of expense not deductible in determining taxable profit (tax loss)	28,053	150,031
UK deferred tax expense (credit) relating to changes in tax rates or laws	27,702	25,532
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(609)	21,714
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	(516,082)	183,966
Tax increase (decrease) from other short-term timing differences	(34,323)	26,400
Total tax charge	<u>1,817,042</u>	<u>2,284,690</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the rates of 19% and 18% substantively enacted at the balance sheet date.

# **TBWA UK Group Ltd**

## **Notes to the Financial Statements for the Year Ended 31 December 2015**

### **Deferred tax**

#### **Group**

#### **Deferred tax assets and liabilities**

	<b>Asset £</b>
<b>2015</b>	
Difference between accumulated depreciation and capital allowances	434,782
Other timing differences	<u>43,372</u>
	<u><u>478,154</u></u>

	<b>Asset £</b>
<b>2014</b>	
Difference between accumulated depreciation and capital allowances	455,953
Other timing differences	<u>110,159</u>
	<u><u>566,112</u></u>

#### **Company**

#### **Deferred tax assets and liabilities**

	<b>Asset £</b>
<b>2015</b>	
Difference between accumulated depreciation and capital allowances	<u>26,929</u>

	<b>Asset £</b>
<b>2014</b>	
Difference between accumulated depreciation and capital allowances	<u><u>34,379</u></u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 10 Intangible assets

Group	Goodwill £	Software £	Total £
<b>Cost or valuation</b>			
At 1 January 2015	113,246,592	445,083	113,691,675
Additions	2,058,957	-	2,058,957
Disposals	(33,000,000)	(6,786)	(33,006,786)
At 31 December 2015	<u>82,305,549</u>	<u>438,297</u>	<u>82,743,846</u>
<b>Amortisation</b>			
At 1 January 2015	104,522,186	395,448	104,917,634
Amortisation charge	1,333,489	44,778	1,378,267
Disposals	(33,000,000)	(6,786)	(33,006,786)
At 31 December 2015	<u>72,855,675</u>	<u>433,440</u>	<u>73,289,115</u>
<b>Carrying amount</b>			
At 31 December 2015	<u>9,449,874</u>	<u>4,857</u>	<u>9,454,731</u>
At 31 December 2014	<u>8,724,406</u>	<u>49,635</u>	<u>8,774,041</u>

The addition to goodwill of £2,058,957 represents the increase in the Contingent Purchase Price creditor related to the purchase of Mother Tongue Ltd in 2012

Goodwill of £33,000,000 was disposed of relating to the acquisition of GGT in 1998 as the group no longer holds any assets relating to this entity

During the year the directors conducted an impairment review of goodwill for its income generating units Mother Tongue Ltd and egplus Worldwide Ltd by comparing the net book value of the goodwill to the net present value of the discounted cashflows, using the Omnicom Discounted Cash Flow Model

The review indicated that the income generating unit's carrying value is £22,132,236 (2015 £16,675,283) Consequently there has been no adjustment to the goodwill balances as there is no impairment loss

The period before a steady or declining long-term growth rate has been assumed is 10 years for Mother Tongue Ltd and 5 years for egplus Worldwide Ltd All other goodwill held has been fully amortised at the year end

**TBWA UK Group Ltd**

**Notes to the Financial Statements for the Year Ended 31 December 2015**

<b>Company</b>	<b>Software £</b>
<b>Cost or valuation</b>	
At 1 January 2015	<u>4,000</u>
At 31 December 2015	<u>4,000</u>
<b>Amortisation</b>	
At 1 January 2015	<u>4,000</u>
At 31 December 2015	<u>4,000</u>
<b>Carrying amount</b>	
At 31 December 2015	<u>-</u>
At 31 December 2014	<u>-</u>

**TBWA UK Group Ltd**

**Notes to the Financial Statements for the Year Ended 31 December 2015**

**11 Tangible fixed assets**

**Group**

	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Office equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	2,727,828	1,811,690	78,381	183,475	4,801,374
Additions	70,354	624,298	-	8,854	703,506
Disposals	(454,662)	(110,253)	(38,961)	(17,359)	(621,235)
At 31 December 2015	2,343,520	2,325,735	39,420	174,970	4,883,645
<b>Depreciation</b>					
At 1 January 2015	1,710,197	1,559,662	78,381	152,172	3,500,412
Charge for the year	522,271	172,103	-	26,847	721,221
Disposal	(454,673)	(110,253)	(38,961)	(17,359)	(621,246)
At 31 December 2015	1,777,795	1,621,512	39,420	161,660	3,600,387
<b>Carrying amount</b>					
At 31 December 2015	565,725	704,223	-	13,310	1,283,258
At 31 December 2014	1,017,631	252,028	-	31,303	1,300,962

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 12 Fixed assets investments

Company	Shares in group undertakings £
<b>Subsidiaries</b>	
<b>Cost</b>	
At 1 January 2015	98,103,230
Additions	<u>2,058,957</u>
At 31 December 2015	<u>100,162,187</u>
<b>Provision for impairment</b>	
At 1 January 2015	29,164,312
Provided in year	<u>1,022,262</u>
At 31 December 2015	<u>30,186,574</u>
<b>Carrying amount</b>	
At 31 December 2015	<u>69,975,613</u>
At 31 December 2014	<u>68,938,918</u>

The addition to investments represents the increase in the Contingent Purchase Price creditor related to the purchase of Mother Tongue Ltd in 2012

During the year ended 31 December 2015, the directors conducted an impairment review of its investments by comparing the carrying value of the investment to the net present value of the discounted cashflows, using the Omnicom Discounted Cash Flow Model, using a pre-tax WACC rate of 10.7%. This demonstrated that an impairment of £1,022,262 was required for the investment in Paling Walters Ltd. This is the difference between the net present value of future cashflows being £11,779,738 and the carrying value of the investment being £12,802,000 of 31 December 2015.

The projected cash flows are estimated based on the Omnicom Inc approved budget for 2016. The cash flow projections for the years 2017-2020 assume a growth rate of between 2.5% to 20% for each, which reflects the directors' estimate of the medium term operating performance. The terminal value is calculated using a perpetuity model which assumes a long term growth rate of 2.5% and reflects the long term GDP growth forecasts for the region and industry.

For the details of undertakings please see the note at the end of these statutory accounts

#### 13 Stocks

	Group		Company
	2015 £	2014 £	2015 £
Work in progress	<u>5,347,834</u>	<u>5,838,088</u>	<u>-</u>

# TBWA UK Group Ltd

## Notes to the Financial Statements for the Year Ended 31 December 2015

### 14 Debtors

	Note	Group		Company	
		2015 £	2014 £	2015 £	2014 £
Trade debtors		46,352,458	31,851,060	24,288	33,988
Amounts owed by group undertakings - trading balances		32,947,023	28,255,501	26,624,283	24,018,721
Amounts owed by group undertakings - loans and advances		26,613,918	17,277,108	6,990,719	3,256,340
Other debtors		18,246,996	12,707,901	388,629	150,169
Deferred tax assets	9	478,154	566,112	26,929	34,379
Prepayments and accrued income		6,935,593	7,919,001	142,976	213,206
		<u>131,574,142</u>	<u>98,576,683</u>	<u>34,197,824</u>	<u>27,706,803</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc and Omnicom Financial Services Limited or by Omnicom Finance plc and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £26,613,918 (2014 £17,277,108) representing cash deposited by the Group under these arrangements.

### 15 Creditors

	Note	Group		Company	
		2015 £	2014 £	2015 £	2014 £
<b>Due within one year</b>					
Preference shares classified as liabilities		13,194,325	13,189,505	13,194,325	13,189,505
Payments received on account		3,559,860	4,905,704	-	-
Trade creditors		4,018,106	3,554,694	105,555	84,243
Amounts owed to group undertakings - trading balances		80,851,025	60,334,223	26,535,143	23,851,498
Amounts owed to group undertakings - loans and advances		4,100,942	-	-	-
Taxation and social security		3,624,100	2,726,538	-	566,588
Accruals and deferred income		10,019,967	10,837,368	694,205	1,084,848
		<u>119,368,325</u>	<u>95,548,032</u>	<u>40,529,228</u>	<u>38,776,682</u>
<b>Due after one year</b>					
Other creditors		<u>7,221,932</u>	<u>6,799,591</u>	<u>7,221,932</u>	<u>6,799,591</u>

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc and Omnicom Financial Services Limited or by Omnicom Finance plc and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £4,100,942 (2014: £nil) representing cash deposited by the Group under these arrangements.

Included in the long term creditor is the Contingent Purchase Price provision for the acquisition of Mother Tongue Ltd in 2012, which was increased by £2,058,957. The 3rd earnout payment was paid on the 10th May 2016, £3,282,490. The final earnout payment for the acquisition of Mother Tongue Ltd will become payable in May 2017.



## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **16 Provisions**

##### **Group**

	<b>Other provisions £</b>
At 1 January 2015	2,380,402
Increase (decrease) in existing provisions	(131,447)
Provisions used	<u>(668,500)</u>
At 31 December 2015	<u>1,580,455</u>

##### **Company**

	<b>Other provisions £</b>
At 1 January 2015	2,142,902
Increase (decrease) in existing provisions	(211,447)
Provisions used	<u>(668,500)</u>
At 31 December 2015	<u>1,262,955</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 17 Share capital

##### Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3
4.05% cumulative preference shares of £1 each				
	<u>13,138,231</u>	<u>13,138,231</u>	<u>13,138,231</u>	<u>13,138,231</u>
	<u>13,138,234</u>	<u>13,138,234</u>	<u>13,138,234</u>	<u>13,138,234</u>

##### Redeemable preference shares

The Preference shares are redeemable at the option of the company between 30 November 2015 and 30 June 2016, and therefore are treated as a liability. They are redeemable at £1 per share and carry no voting rights. Winding up value for redeemable preference share is £13,138,231.

On a winding up, they would rank first and would be entitled to the Subscription per Preference Share together with a sum equal to any arrears and accruals of the Preferred Dividend calculated down to and including the date of the return of capital, and if there is a shortfall of assets remaining to satisfy the entitlements of holders of Preference Shares in full, the proceeds shall be distributed to the holders of the Preference Shares in proportion to the amounts due to each such Preference Shares in proportion to the amounts due to each such Preference Shares held.

The Preference Shares shall confer on each holder of the Preference Shares the right to receive notice of all general meetings of the Company, but will not entitle the holders to attend, speak or vote at any general meeting.

On July 1, 2016, the preference shares were redeemed at the face value of £13,138,231.

#### 18 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £831,795 (2014 - £672,770).

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 19 Commitments

##### Group

##### Operating leases

The total of future minimum lease payments is as follows

	2015 £	2014 £
Not later than one year	1,556,399	2,964,149
Later than one year and not later than five years	918,865	2,016,880
Later than five years	2,180	52,070
	<u>2,477,444</u>	<u>5,033,099</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,808,947 (2014 - £2,321,281)

##### Company

##### Operating leases

The total of future minimum lease payments is as follows

	2015 £	2014 £
Not later than one year	1,082,639	1,269,247
Later than one year and not later than five years	428,712	1,212,000
	<u>1,511,351</u>	<u>2,481,247</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £237,174 (2014 - £14,556)

#### 20 Related party transactions

##### Group

##### Summary of transactions with subsidiaries

As a 100% owned indirect subsidiary of Omnicom Group Inc, the Group has taken advantage of the exemption under FRS 102 Section 33 1A Related Party Disclosures, which enable it to exclude disclosure of transactions with Omnicom Group Inc and its wholly owned subsidiaries

##### Company

##### Summary of transactions with subsidiaries

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## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 21 Parent and ultimate parent undertaking

The ultimate parent is Omnicom Group Inc , incorporated in the United States of America

These Financial Statements are available upon request from Omnicom Group Inc , 437 Madison Avenue, New York, NY10022, USA

No other group accounts include the results of the Company and its subsidiary undertakings

#### 22 Details of undertaking

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Company number	Country of incorporation	Holding	Proportion of voting rights and shares held	Principle activity
<b>Subsidiary undertakings</b>					
Being London Limited	3119703	England	Ordinary Shares	100 00	Digital advertising services
egplus worldwide limited	1029724	England	Ordinary Shares	100 00	Advertising production company
Mother Tongue Limited	2565571	England	Ordinary Shares	100 00	Marketing translation
TBWALondon Limited	1367372	England	Ordinary Shares	100 00	Advertising and media services
TBWAManchester Limited	2160991	England	Ordinary Shares	100 00	Advertising and marketing services
TBWAPaling Walters Limited	1491788	England	Ordinary Shares	100 00	Healthcare advertising and consultancy
Tequila London Limited	2300483	England	Ordinary Shares	100 00	Relationship marketing activities

## TBWA UK Group Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2015

E-Graphics Limited	4687692	England	Ordinary Shares	100 00	Full production facility
Mother Tongue Inc	4975481	Delaware	Common Stock	100 00	Marketing translation
Mother Tongue Pte Ltd	201120730D	Singapore	Ordinary Shares	100 00	Marketing translation