

Registration number: 1367372

# TBWA Limited (formerly TBWA\London Limited)

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2016

TUESDAY



\*A6CVILMR\*

A14

15/08/2017

#145

COMPANIES HOUSE

# **TBWA Limited (formerly TBWA\London Limited)**

## **Contents**

Strategic Report	1 to 2
Directors' Report	3
Statement of Directors' Responsibilities	4
Profit and Loss Account	5
Balance Sheet	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8 to 19

## **TBWA Limited (formerly TBWA\London Limited)**

### **Strategic Report for the year ended 31 December 2016**

The Directors present their strategic report for the year ended 31 December 2016.

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 2016 as indicated by an increase in the operating profit margin from 19.7% to 27.0%.

The Company has invested significantly in talent in recent years and this together with cost reductions in office and administration costs throughout the year has resulted in a robust and effective Company that is prepared to meet the challenges of future years.

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

At the end of the year the Company had net current assets of £12,435,034 (2015: £9,690,167). The directors consider that the Company 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 turnover, operating margin and operating expenses excluding goodwill and amortisation.

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

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 have decreased from 29.8% to 26.0% of turnover.

Staff costs are primarily comprised of salaries, social security and employer pension contributions. As TBWA Ltd is a service business, these costs are monitored on a percentage of turnover basis. Staff costs tend to fluctuate in conjunction with changes in turnover, whereas administrative expenses, which are not directly related to servicing clients, tend to decrease as a percentage of turnover as turnover increases because a significant portion of these expenses are relatively fixed in nature. During 2016 staff costs have decreased to 46.3% from 49.8% of turnover in 2015.

The operating margin has improved in 2016 from 19.7% to 27.0%.

The Company's key financial and other performance indicators during the year are:

	<b>Unit</b>	<b>2016</b>	<b>2015</b>
Staff costs	%	46.27	49.80
Office and admin expenses	%	26.01	29.80
Operating margin	%	27.04	19.69

## **TBWA Limited (formerly TBWA\London Limited)**

### **Strategic Report for the year ended 31 December 2016**

#### **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 our ability to develop creative solutions that meet client needs, the quality and effectiveness of the services we offer and our ability to efficiently service clients, particularly large international clients, on a broad geographic basis. While many of our client relationships are long-standing, companies put their advertising, marketing and corporate communications service business up for review from time to time. We have won and lost accounts in the past as a result of these reviews. To the extent that we are not able to remain competitive, our turnover may be adversely affected, which would then affect our results of operations and financial position.

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

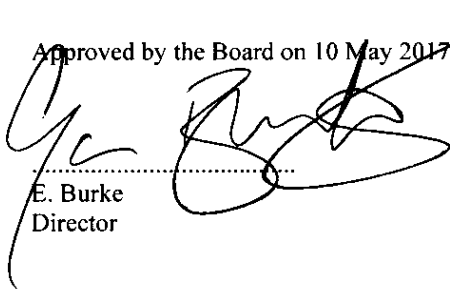
In addition key personnel could be lost or may not be attracted to the business. Employees are the most important assets. The ability to retain key personnel is an important aspect of our competitiveness. A continuing ability to attract and retain those employees is important to our business and if the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

Government agencies and consumer groups have directly from time to time affected or attempted to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, whether through regulations or other governmental action. Any such limitations of the scope of the content of our services could affect our ability to meet our clients' needs, which have a material adverse effect on our results of operations and financial condition in the future.

As a service industry the performance of the Company's business depends on the financial health of its customers and in turn the economic conditions in which they operate. While the Company sees long-term growth in the sectors it operates in, there is always a risk of shrinkage of demand in a market slowing temporarily. The Company has a global client base and therefore could be adversely affected by the strength of both the UK and global economy. The Company seeks to mitigate these risks by attracting a diverse portfolio of clients across several market sectors and geographical locations.

At this time the belief is that business prospects in the industry are improving and are positive therefore stable growth is anticipated for 2017. We expect that we will be able to improve margins as a result of new business wins, our continued new business initiatives and our continuing focus on cost reduction. However, although the economic climate is also positive, it remains volatile and clients' business could be adversely affected which may lead to reductions in client spending.

Approved by the Board on 10 May 2017 and signed on its behalf by:



.....  
E. Burke  
Director

**TBWA Limited (formerly TBWA\London Limited)**

**Directors' Report for the year ended 31 December 2016**

The Directors present their report and the financial statements for the year ended 31 December 2016.

**Principal activity**

The principal activity of the Company is the provision of advertising and media services to clients.

On 4 April 2017, the Company changed its name to TBWA\ Limited.

With effect from 31 March 2017 the business and net assets and liabilities of the division TBWA London transferred to TBWA\London Limited (formerly March Subsidiary Limited).

On 31 March 2017 the business and net assets and liabilities of the division Integer London transferred to Tequila London Limited.

**Dividends**

On 3 June 2016 the directors declared and paid an interim dividend in respect of the year ended 31 December 2016 of £5,675,000 (2015: £4,000,000).

**Directors of the Company**

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

G. Smith

D. Streiff

N. Baum (resigned 9 December 2016)

P. Souter

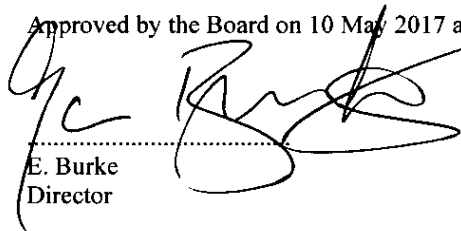
The following director was appointed after the year end:

E. Burke (appointed 9 February 2017)

**Political and charitable donations**

During the year the Company made political donations of £nil (2015: £nil). Donations to charity amounted to £764 (2015: £nil).

Approved by the Board on 10 May 2017 and signed on its behalf by:



E. Burke  
Director

85 Strand  
5th Floor  
London  
WC2R 0DW

## **TBWA Limited (formerly TBWA\London Limited)**

### **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 or loss 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 has 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.

**TBWA Limited (formerly TBWA\London Limited)**

**Profit and Loss Account for the year ended 31 December 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
Gross billings		318,026,194	306,442,015
Rebillable costs		<u>(281,275,465)</u>	<u>(271,968,081)</u>
Turnover	2	36,750,729	34,473,934
Direct costs		<u>(248,027)</u>	<u>(250,382)</u>
Gross profit		36,502,702	34,223,552
Administrative expenses		<u>(26,565,162)</u>	<u>(27,434,830)</u>
Operating profit	3	9,937,540	6,788,722
Other interest receivable and similar income	7	31,387	43,147
Interest payable and similar charges	8	<u>(543)</u>	<u>(1,038)</u>
Profit before tax on ordinary activities		9,968,384	6,830,831
Taxation	9	<u>(2,044,760)</u>	<u>(1,408,692)</u>
Profit for the financial year		<u><u>7,923,624</u></u>	<u><u>5,422,139</u></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 Limited (formerly TBWA\London Limited)**

**(Registration number: 1367372)  
Balance Sheet as at 31 December 2016**

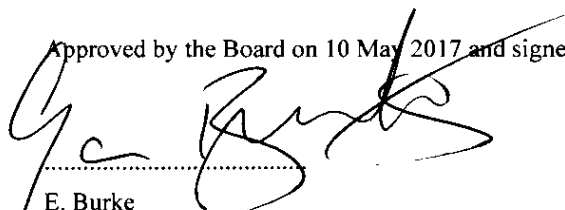
	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Fixed assets</b>			
Tangible assets	11	316,636	612,041
<b>Current assets</b>			
Stocks	12	2,557,721	3,776,139
Debtors	13	<u>76,905,564</u>	<u>71,990,475</u>
		79,463,285	75,766,614
Creditors: Amounts falling due within one year	14	<u>(67,028,251)</u>	<u>(66,076,447)</u>
Net current assets		<u>12,435,034</u>	<u>9,690,167</u>
Total assets less current liabilities		12,751,670	10,302,208
Creditors: Amounts falling due after more than one year	14	(120,838)	-
Provisions for liabilities	15	<u>(360,000)</u>	<u>(280,000)</u>
Net assets		<u><u>12,270,832</u></u>	<u><u>10,022,208</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	125,006	125,006
Retained earnings		<u>12,145,826</u>	<u>9,897,202</u>
Total equity		<u><u>12,270,832</u></u>	<u><u>10,022,208</u></u>

For the year ending 31 December 2016 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 10 May 2017 and signed on its behalf by:

  
 E. Burke  
 Director



**TBWA Limited (formerly TBWA\London Limited)**

**Statement of Changes in Equity for the year ended 31 December 2016**

	Share capital £	Retained earnings £	Total £
At 1 January 2016	125,006	9,897,202	10,022,208
Profit for the year	-	7,923,624	7,923,624
Total comprehensive income	-	7,923,624	7,923,624
Dividends	-	(5,675,000)	(5,675,000)
At 31 December 2016	125,006	12,145,826	12,270,832
	Share capital £	Retained earnings £	Total £
At 1 January 2015	125,006	8,475,063	8,600,069
Profit for the year	-	5,422,139	5,422,139
Total comprehensive income	-	5,422,139	5,422,139
Dividends	-	(4,000,000)	(4,000,000)
At 31 December 2015	125,006	9,897,202	10,022,208

The notes on pages 8 to 19 form an integral part of these financial statements.

## **TBWA Limited (formerly TBWA\London Limited)**

### **Notes to the Financial Statements for the year ended 31 December 2016**

#### **1 Accounting policies**

##### **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'. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's financial statements.

##### **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 the 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").

The Company has net current assets of £12,435,034 at 31 December 2016 (2015: £9,690,167). The directors consider that the Company 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 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.

## **TBWA Limited (formerly TBWA\London Limited)**

### **Notes to the Financial Statements for the year ended 31 December 2016**

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

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:

- 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:

- 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.

Related party transactions: As a 100% owned subsidiary of Omnicom Group Inc. the Company has taken advantage of the exemption available 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.

#### **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.

##### **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 turnover.

##### **Turnover**

Turnover 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 Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises turnover when:  
the amount of turnover 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 Company's activities.

## **TBWA Limited (formerly TBWA\London Limited)**

### **Notes to the Financial Statements for the year ended 31 December 2016**

#### **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.

#### **Tax**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold improvements	lower of asset life or life of lease on a straight line basis
Furniture, fittings, tools and equipment	20% per annum straight line basis
Office equipment	25% per annum straight line basis

#### **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 Company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stocks**

Stock and work in progress are stated 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 Company on behalf of its clients which have not been recharged to clients by the end of the year.

#### **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 Company 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.

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account 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**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**Defined contribution pension obligation**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company 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.

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**2 Turnover**

The whole of the Company's gross billings, turnover and operating profit for the year related to its principal activity, which was that of an advertising agency, and which was carried out in the following geographical areas.

The analysis of the Company's turnover for the year from continuing operations for rendering of services is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
UK	17,374,935	16,669,451
Europe	14,284,291	13,142,346
Rest of world	5,091,503	4,662,137
	<u>36,750,729</u>	<u>34,473,934</u>

**3 Operating profit**

Arrived at after charging/(crediting)

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Depreciation and other amounts written off tangible fixed assets: owned	492,750	567,276
Foreign exchange (gains) / losses	105,550	112,537
(Profit)/loss on disposal of property, plant and equipment	(21,508)	(23,191)
Hire of plant and machinery - rentals payable under operating leases	350,706	431,138
Hire of other assets - rentals payable under operating leases	2,869,390	3,042,494
Rental income	<u>(881,127)</u>	<u>(2,185,152)</u>

**4 Auditor's remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Other fees to auditor</b>		
Audit-related assurance services	<u>21,420</u>	<u>21,420</u>

Audit fees are for other services provided by KPMG and do not include an audit fee for the financial statements.

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**5 Directors' remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	308,684	501,697
Amounts receivable under long term incentive schemes	176,160	132,784
	<u>484,844</u>	<u>634,481</u>
Company contributions to money purchase pension schemes	26,438	42,636
	<u>511,282</u>	<u>677,117</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Remuneration	114,966	296,054
Benefits under long-term incentive schemes (excluding shares)	142,180	100,579
Company contributions to money purchase pension schemes	<u>7,938</u>	<u>24,136</u>

The Company'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 2 directors (2015: 2)

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 directors remain employees of the Omnicom group. Restricted shares may not be sold, transferred, pledged or otherwise encumbered until the restrictions lapse. Under most circumstances, the directors forfeit the shares still subject to restriction, if the directors cease employment prior to the end of the period of restriction.

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**6 Staff costs**

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	14,344,607	14,343,513
Share related awards	125,536	101,128
Social security costs	1,834,740	1,889,930
Pension and other post-employment benefit costs	404,193	430,407
Severance/loss of office	296,356	392,206
	<u>17,005,432</u>	<u>17,157,184</u>

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

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Production	31	29
Administration and support	41	59
Other departments	157	144
	<u>229</u>	<u>232</u>

**7 Other interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Receivable from group undertakings	<u>31,387</u>	<u>43,147</u>

**8 Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Other interest payable	-	1,038
Finance charges payable in respect of finance leases and hire purchase contracts	543	-
	<u>543</u>	<u>1,038</u>



**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**9 Taxation**

Tax charged/(credited) in the profit and loss account

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
Current tax on income for the period	2,053,819	1,463,532
Adjustments in respect of previous periods	<u>19,090</u>	<u>1,158</u>
	<u>2,072,909</u>	<u>1,464,690</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(31,498)	(60,294)
Effect of increased/decreased tax rate on opening liability	23,071	5,676
Adjustment in respect of previous periods	<u>(19,722)</u>	<u>(1,380)</u>
Total deferred taxation	<u>(28,149)</u>	<u>(55,998)</u>
Tax expense in the profit and loss account	<u>2,044,760</u>	<u>1,408,692</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Profit before tax	<u>9,968,384</u>	<u>6,830,831</u>
Corporation tax at standard rate	1,993,677	1,383,243
Effect of expense not deductible in determining taxable profit (tax loss)	28,644	6,207
UK deferred tax expense (credit) relating to changes in tax rates or laws	23,071	5,676
Increase (decrease) in UK deferred tax from prior periods	(19,722)	(1,380)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	19,090	1,158
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>-</u>	<u>13,788</u>
Total tax charge	<u>2,044,760</u>	<u>1,408,692</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**Deferred tax**

Deferred tax assets and liabilities

**2016**

**Asset  
£**

Difference between accumulated depreciation and capital allowances  
Other timing differences

192,095  
10,341  
202,436

**2015**

**Asset  
£**

Difference between accumulated depreciation and capital allowances  
Other timing differences

169,421  
4,866  
174,287

**10 Dividends**

**2016  
£**

**2015  
£**

Interim dividend of £45.40 (2015 - £32.00) per ordinary share

5,675,000

4,000,000

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**11 Tangible fixed assets**

	<b>Leasehold improvements £</b>	<b>Furniture, fittings and equipment £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2016	2,227,537	548,711	124,621	2,900,869
Additions	-	13,411	183,933	197,344
Disposals	<u>(202,887)</u>	<u>(416,454)</u>	<u>(6,278)</u>	<u>(625,619)</u>
At 31 December 2016	<u>2,024,650</u>	<u>145,668</u>	<u>302,276</u>	<u>2,472,594</u>
<b>Depreciation</b>				
At 1 January 2016	1,661,812	515,705	111,311	2,288,828
Charge for the year	452,668	16,986	23,096	492,750
Disposal	<u>(202,888)</u>	<u>(416,454)</u>	<u>(6,278)</u>	<u>(625,620)</u>
At 31 December 2016	<u>1,911,592</u>	<u>116,237</u>	<u>128,129</u>	<u>2,155,958</u>
<b>Carrying amount</b>				
At 31 December 2016	<u>113,058</u>	<u>29,431</u>	<u>174,147</u>	<u>316,636</u>
At 31 December 2015	<u>565,725</u>	<u>33,006</u>	<u>13,310</u>	<u>612,041</u>

**12 Stocks**

	<b>2016 £</b>	<b>2015 £</b>
Work in progress	<u>2,557,721</u>	<u>3,776,139</u>

**13 Debtors**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
Trade debtors		41,079,446	38,944,835
Amounts owed by group undertakings - trading balances		2,764,044	2,344,926
Amounts owed by group undertakings - loans and advances		12,867,977	10,931,933
Other debtors		14,402,834	16,650,514
Deferred tax assets	9	202,436	174,287
Prepayments and accrued income		<u>5,588,827</u>	<u>2,943,980</u>
		<u>76,905,564</u>	<u>71,990,475</u>

## TBWA Limited (formerly TBWA\London Limited)

### Notes to the Financial Statements for the year ended 31 December 2016

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, 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 £12,867,977 (2015: £10,931,933) representing cash deposited by the Company under these arrangements.

#### 14 Creditors

	Note	2016 £	2015 £
<b>Due within one year</b>			
Obligations under finance lease and hire purchase contracts		30,949	-
Payments received on account		3,394,541	3,559,860
Trade creditors		2,051,345	3,118,718
Amounts owed to group undertakings - trading balances		54,255,698	53,368,909
Amounts owed to group undertakings - loans and advances		-	91,233
Taxation and social security		2,089,389	1,806,687
Accruals and deferred income		5,206,329	4,131,040
		<u>67,028,251</u>	<u>66,076,447</u>
<b>Due after one year</b>			
Obligations under finance lease and hire purchase contracts		<u>120,838</u>	<u>-</u>

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, 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 to group undertakings - loans and advances is £nil (2015: £91,233) representing cash advanced to the Company under these arrangements.

#### 15 Provisions for liabilities

	Other provisions £	Total £
At 1 January 2016	(280,000)	(280,000)
Additional provisions	<u>(80,000)</u>	<u>(80,000)</u>
At 31 December 2016	<u>(360,000)</u>	<u>(360,000)</u>

**TBWA Limited (formerly TBWA\London Limited)**

**Notes to the Financial Statements for the year ended 31 December 2016**

**16 Share capital**

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

	<b>2016</b>		<b>2015</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	<u>125,006</u>	<u>125,006</u>	<u>125,006</u>	<u>125,006</u>

**17 Pension and other schemes**

**Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £404,193 (2015 - £430,407).

**18 Commitments**

Non-cancellable operating lease rentals are payable as follows:

**Operating leases**

The Company's principal premises are leased from a fellow group company on terms with no future minimum lease payments.

The total of future minimum lease payments for other equipment leases is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Not later than one year	147,661	268,116
Later than one year and not later than five years	200,116	340,088
Later than five years	<u>-</u>	<u>2,180</u>
	<u>347,777</u>	<u>610,384</u>

**19 Related party transactions**

**Summary of transactions with subsidiaries**

As a 100% owned indirect subsidiary of Omnicom Group Inc., the Company has taken advantage of the exemption under FRS102 Section 33.1A: Related Party Disclosures, which enable it to exclude disclosure of transactions with Omnicom Group Inc. and its wholly owned subsidiaries.

**20 Parent and ultimate parent undertaking**

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.

The Company is consolidated into TBWA UK Group Ltd and these accounts may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, Wales.