

Registration number: 4332188

TBWA UK Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

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TBWA UK Group Ltd

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TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

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).

Business Reorganisation

On 19 January 2017 a new holding company March Holdco Ltd was formed, a subsidiary of TBWA UK Group Ltd. On the 4 April 2017 March Holdco Ltd, registered company 10573007 changed its name to LG\TBWA Ltd.

On 19 January 2017, a new subsidiary of LG\TBWA Ltd (formerly March Holdco Ltd), March Subsidiary Ltd was formed with an issued share capital of One Ordinary Share of £1.00. March Subsidiary Ltd changed its name to TBWA\ London Ltd on 4 April 2017.

On 22 February 2017, LG\TBWA Ltd (formerly March Holdco Ltd) acquired 100% of the issued share capital of Lucky Generals Ltd for a consideration of £20,339,215, plus a 22.22% share of the existing TBWA\ London business valued at £3,517,122. On the same date, TBWA UK Group contributed 22.22% of its shareholding in LG\TBWA Ltd to the former Vendors of Lucky Generals Ltd.

On 31 March 2017, the business and net assets and liabilities of the division of Integer London transferred to Tequila London Ltd from TBWA Ltd (formerly TBWA\ London Ltd) for a consideration of £319,035.

On 1 April 2017, the business division of TBWA\London was sold from TBWA Ltd (formerly TBWA\London Ltd) to the new registered company TBWA\ London Ltd (formerly March Subsidiary Ltd).

On 4 April 2017 the existing company TBWA\London Ltd, registered company 1367372 changed its name to TBWA Ltd.

On 24 November 2017, TBWA UK Group Ltd acquired from Being London Ltd its entire interest in the issued share capital of Tequila London Ltd via a Dividend-in-Specie.

On 29 December 2017, the business and net assets and liabilities of the division of Media Arts Lab transferred to TBWA UK Group Ltd from TBWA Ltd (formerly TBWA\London Ltd) via a business transfer agreement for a consideration of £7,090,090.

Fair review of the business

There was a decline in the operating profit margin excluding amortisation of goodwill to 10.45% (2016: 22.07%). Turnover decreased by 12.8% against 2016.

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 £19,322,769 (2016: £29,039,850). 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.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2017

The key performance indicators reviewed focus on turnover, operating profit 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 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 2017, staff costs as a percentage of turnover have increased to 63.9% compared to 55.1% in 2016.

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 increased as a percentage of turnover at 25% compared to 21.5% in 2016. Overall office and administration costs excluding goodwill increased by 3.5% in 2017.

	Unit	2017	2016
Staff costs as a % of turnover	%	63.90	55.10
Office and admin expenses (excluding goodwill amortisation) as % of turnover	%	25.00	21.50
Operating margin (excluding goodwill amortisation)	%	10.45	22.07

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, turnover 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 turnover, 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.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2017

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.

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 turnover levels and other factors and, in response to reductions in our client turnover, 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 turnover, 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.

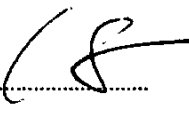
Government or legislative action may limit the tax deductibility of advertising expenditures by certain industries or for certain products or services. These actions could cause our clients affected by such actions to reduce their spending on our services which could have a material adverse effect on 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.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2017

The vote to leave the EU and subsequent triggering of article 50 has brought about uncertainty affecting economic outlook in all sectors of the UK economy. At this stage of the leave process it is unclear what will be negotiated between the EU and the UK government and to what extent it will affect both economies. The Group will continue to monitor the medium to long term impact of the referendum on business activities.

Approved by the Board on 24 September 2018 and signed on its behalf by:


.....
G. Smith
Director

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2017

The directors present their report and the for the year ended 31 December 2017.

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.

Post Balance Sheet Events

On 27 April 2018, the Company received a dividend from LG\TBWA Ltd of £748,244.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31 December 2017. (2016: £8,000,000).

Directors of the Group

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

G. Smith

E. Burke (appointed 15 February 2017 and resigned 8 September 2017)

S. Medhurst (appointed 15 February 2017 and resigned 22 September 2017)

H. Kellerhuis (resigned 1 July 2017)

D. Streiff (resigned 26 June 2017)

P. Brett (appointed 22 September 2017)

Political and charitable donations

During the year the Group made political donations of £nil (2016: £nil). Donations to charity amounted to £3,041 (2016: £864).

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2017

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.

Disclosure of information to the auditor

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 auditor is aware of that information.

Reappointment of auditor

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 24 September 2018 and signed on its behalf by:



.....
G. Smith
Director

Bankside 3
90-100 Soutwark Street
London
SE1 0SW

TBWA UK Group Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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). 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of TBWA UK Group Ltd

Opinion

We have audited the financial statements of TBWA UK Group Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' Report

The directors are responsible for the Strategic report and Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report ;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of TBWA UK Group Ltd

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jeremy Hall (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
Canary Wharf
London
E14 5Gf

25 September 2018

TBWA UK Group Ltd

Consolidated Profit and Loss Account for the year ended 31 December 2017

	Note	2017 £	2016 £
Gross billings		115,542,631	358,238,690
Rebillable costs		<u>(53,476,775)</u>	<u>(286,915,473)</u>
Turnover	2	62,065,856	71,323,217
Direct costs		<u>(710,108)</u>	<u>(967,912)</u>
Gross profit		61,355,748	70,355,305
Administrative expenses		(58,718,327)	(56,111,493)
Other operating income		<u>290,169</u>	<u>6,502</u>
Operating profit	3	<u>2,927,590</u>	<u>14,250,314</u>
Other interest receivable and similar income	7	131,009	484,969
Gain on disposal of operations		201,222	11,779,873
Interest payable and similar charges	8	<u>(264,033)</u>	<u>(576,623)</u>
		<u>68,198</u>	<u>11,688,219</u>
Profit before tax on ordinary activities		2,995,788	25,938,533
Taxation	9	<u>(643,137)</u>	<u>(3,331,029)</u>
Profit for the financial year		<u>2,352,651</u>	<u>22,607,504</u>
Profit/(loss) attributable to:			
Owners of the Company		2,138,307	22,607,504
Non-controlling interests		<u>214,344</u>	<u>-</u>
		<u>2,352,651</u>	<u>22,607,504</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.

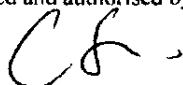
TBWA UK Group Ltd

(Registration number: 4332188)

Consolidated Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	27,925,224	7,000,258
Tangible assets	11	<u>1,873,644</u>	<u>1,065,604</u>
		<u>29,798,868</u>	<u>8,065,862</u>
Current assets			
Stocks	14	3,870,320	4,087,267
Debtors	15	72,514,071	132,595,893
Cash at bank and in hand		<u>916,262</u>	<u>18,941</u>
		77,300,653	136,702,101
Creditors: Amounts falling due within one year	16	<u>(57,977,884)</u>	<u>(107,662,251)</u>
Net current assets		<u>19,322,769</u>	<u>29,039,850</u>
Total assets less current liabilities		49,121,637	37,105,712
Creditors: Amounts falling due after more than one year	16	(5,864,648)	(221,357)
Provisions for liabilities	17	<u>(1,688,292)</u>	<u>(1,329,633)</u>
Net assets		<u>41,568,697</u>	<u>35,554,722</u>
Capital and reserves			
Called up share capital	18	3	3
Capital contribution reserve		4,875,384	1,358,262
Retained earnings		<u>35,960,815</u>	<u>34,196,457</u>
Equity attributable to owners of the company		40,836,202	35,554,722
Non-controlling interests		<u>732,495</u>	<u>-</u>
Total equity		<u>41,568,697</u>	<u>35,554,722</u>

Approved and authorised by the Board on 24 September 2018 and signed on its behalf by:



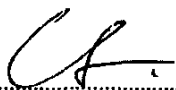
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G. Smith
Director

TBWA UK Group Ltd
(Registration number: 4332188)
Company Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets		3,158	-
Tangible assets		473,147	33,057
Investments	12	<u>83,790,054</u>	<u>57,232,576</u>
		<u>84,266,359</u>	<u>57,265,633</u>
Current assets			
Stocks	14	2,519,784	-
Debtors	15	<u>47,976,963</u>	<u>33,038,849</u>
		50,496,747	33,038,849
Creditors: Amounts falling due within one year	16	<u>(49,909,133)</u>	<u>(33,221,306)</u>
Net current assets/(liabilities)		<u>587,614</u>	<u>(182,457)</u>
Total assets less current liabilities		84,853,973	57,083,176
Creditors: Amounts falling due after more than one year	16	(597,184)	(7,333)
Provisions for liabilities	17	<u>(1,369,633)</u>	<u>(969,633)</u>
Net assets		<u>82,887,156</u>	<u>56,106,210</u>
Capital and reserves			
Called up share capital	18	3	3
Share premium account		7,436,095	-
Capital contribution reserve		4,875,384	1,358,262
Retained earnings		<u>70,575,674</u>	<u>54,747,945</u>
Total equity		<u>82,887,156</u>	<u>56,106,210</u>

The company made a profit after tax for the financial year of £16,000,455 (2016 - profit of £7,588,626).

Approved and authorised by the Board on 24 September 2018 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 2017

	Share capital £	Capital contribution reserve £	Retained earnings £	Equity attributable to the owners of the Company	Non-controlling interests £	Total £
At 1 January 2017	3	1,358,262	34,196,457	35,554,722	-	35,554,722
Profit for the year	-	-	2,138,307	2,138,307	214,344	2,352,651
Total comprehensive income	-	-	2,138,307	2,138,307	214,344	2,352,651
Non-controlling interest arising on acquisition	-	-	-	-	518,151	518,151
Share-based payments expense	-	-	(172,726)	(172,726)	-	(172,726)
Capital contribution	-	3,517,122	-	3,517,122	-	3,517,122
Other reserve movements	-	-	(201,223)	(201,223)	-	(201,223)
At 31 December 2017	3	4,875,384	35,960,815	40,836,202	732,495	41,568,697

	Share capital £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2016	3	-	19,613,953	19,613,956
Profit for the year	-	-	22,607,504	22,607,504
Total comprehensive income	-	-	22,607,504	22,607,504
Dividends	-	-	(8,000,000)	(8,000,000)
Capital contribution	-	1,358,262	-	1,358,262
Other reserve movements	-	-	(25,000)	(25,000)
At 31 December 2016	3	1,358,262	34,196,457	35,554,722

The notes on pages 17 to 42 form an integral part of these financial statements.

TBWA UK Group Ltd

Statement of Changes in Equity for the year ended 31 December 2017

	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2017	3	-	1,358,262	54,747,945	56,106,210
Profit for the year	-	-	-	16,000,455	16,000,455
Total comprehensive income	-	-	-	16,000,455	16,000,455
Share-based payments expense	-	-	-	(172,726)	(172,726)
Premium on issue of shares, less expenses	-	7,436,095	-	-	7,436,095
Capital contribution	-	-	3,517,122	-	3,517,122
At 31 December 2017	3	7,436,095	4,875,384	70,575,674	82,887,156

	Share capital £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2016	3	-	55,159,319	55,159,322
Profit for the year	-	-	7,588,626	7,588,626
Total comprehensive income	-	-	7,588,626	7,588,626
Dividends	-	-	(8,000,000)	(8,000,000)
Capital contribution	-	1,358,262	-	1,358,262
At 31 December 2016	3	1,358,262	54,747,945	56,106,210

The notes on pages 17 to 42 form an integral part of these financial statements
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TBWA UK Group Ltd

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the year		2,352,651	22,607,504
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	4,115,341	2,222,594
Profit on disposal of tangible assets		(2,549)	(23,258)
Profit from disposals of investments		(201,222)	(11,779,873)
Interest receivable and similar income	7	(131,009)	(484,969)
Interest payable and similar charges	8	264,033	576,623
Share based payment expenses		222,500	253,540
Income tax expense	9	643,137	3,331,029
		<u>7,262,882</u>	<u>16,703,190</u>
Working capital adjustments			
(Increase)/decrease in stocks	14	(186,065)	1,260,567
Decrease/(increase) in trade debtors	15	55,274,566	(2,593,964)
(Decrease)/increase in trade creditors	16	(47,666,880)	1,584,488
Increase/(decrease) in provisions	17	14,189	(250,821)
		<u>14,698,692</u>	<u>16,703,460</u>
Cash generated from operations		14,698,692	16,703,460
Income taxes paid	9	(2,528,455)	(2,780,602)
Net cash flow from operating activities		<u>12,170,237</u>	<u>13,922,858</u>
Cash flows from investing activities			
Interest received		131,009	484,969
Acquisitions of tangible assets		(1,226,129)	(508,444)
Proceeds from sale of tangible assets		6,300	23,258
Acquisition of intangible assets	10	(35,768)	(968,158)
Proceeds from sale of intangible assets		-	963,068
Acquisition of subsidiary, net of cash acquired		(15,558,313)	-
Cash flow on earnout on Contingent purchase price liability		(3,072,320)	(3,282,489)
Other reserves movement		-	(25,000)
Long term liabilities - Capital Leases		686,343	221,357
		<u>686,343</u>	<u>221,357</u>
Net cash flows from investing activities		<u>(19,068,878)</u>	<u>(3,091,439)</u>

The notes on pages 17 to 42 form an integral part of these financial statements.

TBWA UK Group Ltd

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from financing activities			
Interest paid		(141,440)	(156,216)
Interest on preference shares		-	(344,541)
Dividends paid		-	(8,000,000)
Ring fenced cash held by Omnicom		<u>7,937,402</u>	<u>(2,436,424)</u>
Net cash flows from financing activities		<u>7,795,962</u>	<u>(10,937,181)</u>
Net increase/(decrease) in cash and cash equivalents		897,321	(105,762)
Cash and cash equivalents at 1 January		<u>18,941</u>	<u>124,703</u>
Cash and cash equivalents at 31 December		<u>916,262</u>	<u>18,941</u>

The notes on pages 17 to 42 form an integral part of these financial statements.
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TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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'. 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 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 Group has net current assets of £19,322,769 at 31 December 2017 (2016: £29,039,850). 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 assets of £587,614 at 31 December 2017 (2016: net current liabilities £(182,457)).

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited 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 Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited 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 Limited, is able to make this commitment because Omnicom Finance Limited 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.

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 UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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 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:

- 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.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2017.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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.

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 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:

- 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.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Going concern

The financial statements have been prepared on a going concern basis.

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 comprise of 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.

Key sources of estimation uncertainty

The Group acquired Lucky Generals Ltd and the newly formed TBWA\London Ltd in 2017. The directors considered whether there were identifiable intangible assets which should be recognised separately from goodwill. Consideration was given to the recognition of assets in respect of client relationships, including the related client contracts, as well as trade names. It was determined that 90% of the asset life will be utilised within 8-10 years.

In determining the net recoverable value of the 22.22% shareholding of the Group transferred to the former Vendors of Lucky Generals Ltd, a discounted cash flow model was used, with which future cash flows has been projected over a 5 year period and includes a terminal value to incorporate expected growth thereafter. The projected cash flows have been discounted using a market participation rate of 15% to determine the fair value which takes into account the Omnicom WACC of 10.3% adjusted for a size risk premium.

The cash flow projections assume a growth rate for each year and individual subsidiary which reflect management's estimate of the long term performance of the Group. The terminal value is calculated using a perpetuity model which assumes a long term growth rate which reflects the long term growth forecasts for the region and industry.

A contingent purchase price provision has provided to be paid in 2022, discounted to present value on acquisition using a discount rate of 2.11% based on adjusted US treasury yield curve rate. The provision is based on assumptions made regarding expected revenue growth rate in each year of 25% and growth in EBIT margin of 11.6% growing to 24%. The carrying amount of goodwill is £Nil (2016 -£6,996,761).

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

Consequently, turnover comprises fees, and commissions earned in respect of gross billings and direct costs, which meet the Companies Act definition of turnover. Turnover is recognised when services are performed, in accordance with the terms of arrangements reached with each client. Gross billings and turnover are stated exclusive of VAT, sales taxes and trade discounts,

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.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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 tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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 asset life or life of lease on a straight line basis

33.33% per annum straight line basis

25% per annum straight line basis

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class

Goodwill

Computer software

Customer relationships

Trade Name

Amortisation method and rate

over 5-10 years on a straight line basis

33.33% per annum straight line basis

over 8 years on a straight line basis

over 10 years on a straight line basis

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Cash and cash equivalents

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.

Intangible assets

Trademarks and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

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.

Fixed asset investments

Investments in subsidiary undertakings are stated at historical cost less provision for any diminution in value.

Stocks

Work in progress is stated at the lower of cost and net realisable value. Cost consists of direct expenses incurred on unbilled work. Net realisable value is based on estimated sales value less further costs to completion. Work in progress consists of amounts spent by the Company and its subsidiaries 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 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

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.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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 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.

2 Turnover

The whole of the Group's gross billings, turnover 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 turnover for the year from continuing operations for rendering of services is as follows:

	2017	2016
	£	£
UK	31,309,157	36,972,768
Europe	19,330,074	23,813,921
Rest of world	11,426,625	10,536,528
	<u>62,065,856</u>	<u>71,323,217</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

3 Operating profit/loss

Arrived at after charging/(crediting)

	2017	2016
	£	£
Depreciation on tangible fixed assets: owned	441,950	726,099
Amortisation of concessions	181,980	-
Amortisation of software and goodwill	3,387,568	1,496,495
Foreign exchange (gains) / losses	147,356	(624,184)
Profit on disposal of property, plant and equipment	(2,549)	(23,258)
Operating lease expense - property	1,298,614	761,107
Hire of plant and machinery - rentals payable under operating leases	327,546	632,495
Hire of other assets - rentals payable under operating leases	5,144,439	5,219,836
Rental income	<u>(2,437,946)</u>	<u>(2,741,703)</u>

4 Auditor's remuneration

	2017	2016
	£	£
Audit of these financial statements	<u>175,170</u>	<u>133,323</u>
Other fees to auditor		
Audit-related assurance services	<u>50,009</u>	<u>48,600</u>

5 Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	432,790	281,808
Amounts receivable under long term incentive schemes	28,360	33,980
	<u>461,150</u>	<u>315,788</u>
Company contributions to money purchase pension schemes	19,220	18,500
	<u>480,370</u>	<u>334,288</u>

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

	2017	2016
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

In respect of the highest paid director:

	2017	2016
	£	£
Remuneration	196,101	193,717
Benefits under long-term incentive schemes (excluding shares)	28,277	33,980
Company contributions to money purchase pension schemes	<u>18,500</u>	<u>18,500</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 2 directors (2016: 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.

6 Staff costs

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

	2017	2016
	£	£
Wages and salaries	27,389,989	28,770,101
Share related awards	222,500	253,540
Social security costs	3,345,462	3,404,222
Pension and other post-employment benefit costs	818,041	846,860
Severance/loss of office	<u>1,561,093</u>	<u>603,934</u>
	<u>33,337,085</u>	<u>33,878,657</u>

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

	2017	2016
	No.	No.
Production	183	184
Administration and support	63	85
Sales, marketing and distribution	-	1
Other departments	<u>200</u>	<u>318</u>
	<u>446</u>	<u>588</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

7 Other interest receivable and similar income

	2017 £	2016 £
Bank interest receivable	592	414
Receivable from group undertakings	130,417	484,555
	<u>131,009</u>	<u>484,969</u>

8 Interest payable and similar expenses

	2017 £	2016 £
Payable to group undertakings	38,891	65,324
Interest payable on shares classified as liabilities	-	344,541
Other interest payable	210,618	164,963
Finance charges payable in respect of finance leases and hire purchase contracts	14,524	1,795
	<u>264,033</u>	<u>576,623</u>

9 Taxation

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

	2017 £	2016 £
Current taxation		
Current tax on income for the period	568,818	2,826,443
Adjustments in respect of previous periods	(235,495)	238,481
	<u>333,323</u>	<u>3,064,924</u>
Current foreign tax on income for the period	293,349	182,660
Foreign tax adjustment to prior periods	28,259	-
	<u>321,608</u>	<u>182,660</u>
Total current income tax	<u>654,931</u>	<u>3,247,584</u>
Deferred taxation		
Origination and reversal of timing differences	(89,716)	(90,662)
Effect of increased/decreased tax rate on opening liability	6,342	64,519
Adjustment in respect of previous periods	71,580	109,588
Total deferred taxation	<u>(11,794)</u>	<u>83,445</u>
Tax expense in the profit and loss account	<u>643,137</u>	<u>3,331,029</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	<u>2,995,788</u>	<u>25,938,533</u>
Corporation tax at standard rate	576,689	5,187,707
Effect of expense not deductible in determining taxable profit (tax loss)	74,873	(2,307,125)
UK deferred tax expense relating to changes in tax rates or laws	6,342	64,519
Increase in UK deferred tax from a prior period	71,580	109,588
(Decrease)/increase in UK current tax from a prior period	(235,495)	238,481
Tax increase from other short-term timing differences	<u>149,148</u>	<u>37,859</u>
Total tax charge	<u>643,137</u>	<u>3,331,029</u>

Reductions in the UK corporation tax rate 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 2017 has been calculated based on these rates.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2017		
Difference between accumulated depreciation and capital allowances	289,559	(318,659)
Other timing differences	<u>71,236</u>	<u>-</u>
	<u>360,795</u>	<u>(318,659)</u>

	Asset £
2016	
Difference between accumulated depreciation and capital allowances	292,406
Other timing differences	<u>102,303</u>
	<u>394,709</u>

Company

Deferred tax assets and liabilities

	Asset £	Liability £
2017		
Difference between accumulated depreciation and capital allowances	266,762	(308,995)
Other timing differences	<u>15,645</u>	<u>-</u>
	<u>282,407</u>	<u>(308,995)</u>

	Asset £
2016	
Difference between accumulated depreciation and capital allowances	60,893
Other timing differences	<u>47,854</u>
	<u>108,747</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

10 Intangible assets

Group

	Goodwill £	Software £	Concessions, patents, licenses, trademarks and similar rights and assets £	Total £
Cost or valuation				
At 1 January 2017	57,498,773	443,387	-	57,942,160
Additions	22,646,842	27,466	1,813,000	24,487,308
Transfers	-	8,300	-	8,300
At 31 December 2017	<u>80,145,615</u>	<u>479,153</u>	<u>1,813,000</u>	<u>82,437,768</u>
Amortisation				
At 1 January 2017	50,502,012	439,890	-	50,941,902
Amortisation charge	3,377,281	10,287	181,980	3,569,548
Transfers	-	1,094	-	1,094
At 31 December 2017	<u>53,879,293</u>	<u>451,271</u>	<u>181,980</u>	<u>54,512,544</u>
Carrying amount				
At 31 December 2017	<u>26,266,322</u>	<u>27,882</u>	<u>1,631,020</u>	<u>27,925,224</u>
At 31 December 2016	<u>6,996,761</u>	<u>3,497</u>	<u>-</u>	<u>7,000,258</u>

The addition to Goodwill represents the acquisition on 22nd February 2017 of Lucky Generals Ltd by LG/TBWA Ltd, as shown in note 10, along with the addition to trademarks and customer relationships.

The transfer to software represents the value of software acquired on the acquisition of Lucky Generals Ltd, NBV £7,206.

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 cash flows, using the Omnicom Discounted Cash Flow Model.

The review indicated there was significant headroom for each of the income generating units and no reasonably possible change in any of the assumptions would result in an impairment. 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 Lucky Generals 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 2017

Company

	Software £
Cost or valuation	
At 1 January 2017	4,000
Additions	<u>5,000</u>
At 31 December 2017	<u>9,000</u>
Amortisation	
At 1 January 2017	4,000
Amortisation charge	<u>1,842</u>
At 31 December 2017	<u>5,842</u>
Carrying amount	
At 31 December 2017	<u>3,158</u>
At 31 December 2016	<u>-</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

11 Tangible fixed assets

Group

	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2017	2,151,009	2,156,330	17,154	374,347	4,698,840
Additions	477,314	280,123	-	374,266	1,131,703
Disposals	-	(7,675)	(17,154)	(326)	(25,155)
Transfers	62,098	(289,193)	-	451,883	224,788
At 31 December 2017	<u>2,690,421</u>	<u>2,139,585</u>	<u>-</u>	<u>1,200,170</u>	<u>6,030,176</u>
Depreciation					
At 1 January 2017	1,993,239	1,447,959	17,154	174,884	3,633,236
Charge for the year	68,292	266,123	-	107,535	441,950
Disposals	-	(50,254)	(17,154)	45,678	(21,730)
Transfers	21,396	31,241	-	50,439	103,076
At 31 December 2017	<u>2,082,927</u>	<u>1,695,069</u>	<u>-</u>	<u>378,536</u>	<u>4,156,532</u>
Carrying amount					
At 31 December 2017	<u>607,494</u>	<u>444,516</u>	<u>-</u>	<u>821,634</u>	<u>1,873,644</u>
At 31 December 2016	<u>157,770</u>	<u>708,371</u>	<u>-</u>	<u>199,463</u>	<u>1,065,604</u>

The transfers to fixed assets represents the assets acquired on acquisition of Lucky General Ltd, NBV £121,712

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts

2017	2016
£	£
<u>754,301</u>	<u>279,684</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

12 Fixed assets investments

Company

Subsidiaries	Shares in group undertakings £
Cost	
At 1 January 2017	86,060,888
Additions	19,121,383
Transfers	<u>7,436,095</u>
At 31 December 2017	112,618,366
Provision for impairment	
At 1 January 2017	<u>28,828,312</u>
Carrying amount	
At 31 December 2017	<u>83,790,054</u>
At 31 December 2016	<u>57,232,576</u>

On the 22nd February 2017, the LG\TBWA Ltd acquired the whole of the issued share capital of Lucky Generals Ltd for an initial consideration of £15,481,654. The acquisition was funded through a capital contribution from the Group of £15,000,000 in consideration for 100,000 ordinary shares in the Company of £0.01 at par along with a share premium of £14,999,100. Consideration also included a shareholding of 22.22% in the LG\TBWA Ltd Group. The fair value of this consideration is £3,517,122 and is recognised as a capital contribution from its parent TBWA UK Group Ltd. A contingent purchase price liability on acquisition was recognised of £4,637,186 payable in 2022 based on the future performance of the LG\TBWA Ltd Group.

On the 19th January 2017, the LG\TBWA Ltd acquired the newly incorporated Company TBWA\London Ltd (formerly March Subsidiary Ltd) for the consideration of 1 Ordinary share of £1 in the Company.

During the year ended 31 December 2017, 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 cash flows, using the Omnicom Discounted Cash Flow Model, using a pre-tax WACC rate of 10.3%.

The projected cash flows are estimated based on the Omnicom Inc. approved budget for 2017. The cash flow projections for the years 2018-2021 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.

On 22nd February 2017, the newly formed Company LG\TBWA Ltd owned by TBWA UK Group Ltd, acquired 100% of the shares in Lucky Generals for an initial consideration of £15,000,000 cash plus an earnout. The final consideration is not yet finalised.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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

13 Business combinations

On 22 February 2017, LG\TBWA Ltd, a subsidiary of TBWA UK Group Ltd acquired 100% of the issued share capital of Lucky Generals Ltd, a young creative agency providing advertising services.

Lucky Generals contributed £5,745,185 of revenue and £595,706 to the Group's profit for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Book value	Fair value adjustment	Fair value
	£	£	£
Intangible fixed assets		1,813,000	1,813,000
Tangible fixed assets	130,362		130,362
Stocks	(403,012)	-	(403,012)
Debtors	2,081,512	-	2,081,512
Cash	527,606		527,606
Deferred tax		(344,470)	(344,470)
Creditors	(1,473,086)	-	(1,473,086)
	863,382	1,468,530	2,331,912
Non Controlling Interest	191,844	326,307	518,151

Total Cost of Business Combination

	£
Initial cash consideration	15,481,654
Options over equity instruments	184,375
Contingent consideration expected to be paid	4,673,186
22.22% indirect shareholding in TBWA\London business	3,517,122
Capitalised acquisition costs	604,265
	24,460,602
Goodwill on acquisition	22,646,842

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

14 Stocks

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Work in progress	<u>3,870,320</u>	<u>4,087,267</u>	<u>2,519,784</u>	<u>-</u>

15 Debtors

		Group		Company	
	Note	2017 £	2016 £	2017 £	2016 £
Trade debtors		8,248,413	46,270,112	207,162	-
Amounts owed by group undertakings - trading balances		38,776,507	35,768,418	41,150,820	29,422,315
Amounts owed by group undertakings - loans and advances		17,287,669	24,962,152	4,481,026	3,225,298
Other debtors		3,334,473	15,917,684	1,017,317	132,414
Deferred tax assets	9	360,795	394,709	282,407	108,747
Prepayments and accrued income		<u>4,506,214</u>	<u>9,282,818</u>	<u>838,231</u>	<u>150,075</u>
		<u>72,514,071</u>	<u>132,595,893</u>	<u>47,976,963</u>	<u>33,038,849</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited 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 Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £17,287,669 (2016: £24,962,152) representing cash deposited by the Group under these arrangements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

16 Creditors

Note	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Due within one year				
Obligations under finance lease and hire purchase contracts	176,011	59,317	77,051	2,429
Payments received on account	-	3,394,541	-	-
Trade creditors	4,423,088	2,818,907	1,770,900	44,229
Amounts owed to group undertakings - trading balances	35,635,957	85,121,861	41,519,130	29,427,597
Amounts owed to group undertakings - loans and advances	275,671	12,752	-	-
Taxation and social security	3,897,292	3,799,174	1,545,661	-
Other creditors	-	3,049,114	-	3,049,114
Accruals and deferred income	13,569,865	9,406,585	4,996,391	697,937
	<u>57,977,884</u>	<u>107,662,251</u>	<u>49,909,133</u>	<u>33,221,306</u>
Due after one year				
Obligations under finance lease and hire purchase contracts	579,893	221,357	269,377	7,333
Other creditors	5,284,755	-	327,807	-
	<u>5,864,648</u>	<u>221,357</u>	<u>597,184</u>	<u>7,333</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited 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 Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £275,671 (2016: £12,752) representing cash deposited by the Group under these arrangements.

Included in other creditors due after 1 year is the Contingent Purchase Price provision for the acquisition of Lucky Generals Ltd in 2017.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

17 Provisions

Group

	Deferred tax £	Other provisions £
At 1 January 2017	-	1,329,633
Increase (decrease) in existing provisions	<u>318,659</u>	<u>40,000</u>
At 31 December 2017	<u>318,659</u>	<u>1,369,633</u>

Note 1

Other provisions consist primarily of property provisions. The increase in deferred tax provision relates to the acquisition of Lucky Generals Ltd.

Company

	Other provisions £
At 1 January 2017	969,633
Increase (decrease) from transfers and other changes	<u>400,000</u>
At 31 December 2017	<u>1,369,633</u>

18 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

19 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 £818,041 (2016 - £846,860).

Contributions amounting to £80,856 (2016: £nil) were payable to the schemes and are included in other creditors.

20 Share-based payments

Omnicom Group Inc. (the ultimate parent of the Company) runs a share ownership programme that allows group employees to acquire shares in Omnicom Group Inc. Options were awarded in March 2017. It is anticipated that the full vesting period for options will be three years. The option grants become exercisable 30% on each of the first two anniversary dates of the grant date with the final 40% becoming exercisable three years from the grant date.

The fair value of services received in return for shares and share options granted to employees, is measured by reference to the fair value of shares and share options granted. As permitted by FRS 102 Section 26, the Company has applied the requirements of this standard to all share based payment awards granted after 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes formula.

During the year ended 31 December 2017, the Company recognised an expense of £29,119 (2016: £nil) in respect of outstanding share awards.

The options outstanding at the year-end have an exercise price of \$84.94 and a weighted average contractual life of 6 years.

	2017
Fair value at measurement date \$	9.87
Weighted average share price \$	84.94
Exercise price \$	84.94
Expected volatility (expressed as 5 year historical monthly used in the modelling under Black Scholes model)	16.3%
Option life in years	5
Expected dividends	2.6%
Risk-free interest rate (based on national government bonds)	2.0%

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

	2017	2017	2016	2016
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	-	-	-	-
Granted	\$84.94	15,000	-	-
Outstanding options at end of the year	\$84.94	15,000	-	-
Exercisable at end of the year	-	-	-	-

The liability arising in relation to the linked recharge from Omnicom Group Inc. in relation to these share options for the year was £201,844 (2016: £nil).

The weighted average share price at the date of exercise of share options exercised during the year was \$nil. (2016: \$nil).

21 Commitments

Group

Operating leases

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

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

	2017 £	2016 £
Not later than one year	2,427,789	1,357,011
Later than one year and not later than five years	6,243,862	5,933,198
Later than five years	66,426	7,621
	8,738,077	7,297,830

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Company

Operating leases

The total of future minimum lease payments is as follows:

	2017	2016
	£	£
Not later than one year	1,513,417	990,415
Later than one year and not later than five years	4,366,544	5,605,580
Later than five years	2,158	-
	5,882,119	6,595,995

22 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 FRS102 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

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.

23 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.

The Group 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 2017

24 Details of undertaking

Subsidiary exemption

The following UK subsidiaries of the group, having met the criteria set out in sections 479A-479C of the Companies Act 2006, are claiming exemptions from the audit of the individual accounts afforded by those sections for the year ended 31 December 2017

Details of the investments in which the company holds 20% or more, directly or indirectly, 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	Registered address
Subsidiary undertakings						
Beng London Limited	3119703	England	Ordinary	100.00	Digital Advertising Services	Bankside 3, 90-100 Southwark Street, London, SE1 0SW
egplus worldwide limited	1029724	England	Ordinary	100.00	Advertising Production Company	Bankside 3, 90-100 Southwark Street, London, SE1 0SW
LGTBWA Limited	10573007	England	Ordinary	77.78	Holding Company	Bankside 3, 90-100 Southwark Street, London, SE1 0SW
Lucky Generals Limited	08435185	England	Ordinary	77.78	Advertising and Marketing Services	Bankside 3, 90-100 Southwark Street, London, SE1 0SW
Mother Tongue Inc	4975481	Delaware	Ordinary	100.00	Marketing Translation Services	1, Little West, 12th Street, New York, NY, NY10014, United States

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2017

Mother Tongue Limited	2565571	England	Ordinary	100 00	Marketing Translation Services	Bankside 3, 90-100 Southwark Sreet, London, SE1 0SW
TBWA Limited	1367372	England	Ordinary	100 00	Advertising and Media Services	Bankside 3, 90-100 Southwark Sreet, London, SE1 0SW
TBWA\London Limited	10573606	England	Ordinary	77 78	Advertising and Marketing Services	Bankside 3, 90-100 Southwark Sreet, London, SE1 0SW
TBWA\Manchester Limited	2160991	England	Ordinary	100 00	Advertising and Marketing Services	Bankside 3, 90-100 Southwark Sreet, London, SE1 0SW
Tequila London Limited	2300483	England	Ordinary	100 00	Relationship Marketing Services	Bankside 3, 90-100 Southwark Sreet, London, SE1 0SW