

Registration number: 4332188

TBWA UK Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2016

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TBWA UK Group Ltd

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TBWA UK Group Ltd

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

On July 1, 2016 the Company transferred the entire issued share capital of TBWA Worldhealth London Ltd (formerly TBWA Paling Walters Ltd) to DAS UK Investments Ltd for a consideration of £13,138,231. A gain on disposal of £11,779,873 was recognised in the Consolidated Profit and Loss account which was arrived at by deducting the carrying value of TBWA Worldhealth London Ltd net assets disposed of from the consideration price.

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

The 2016 results include 6 months of trading from TBWA Worldhealth London Ltd.

A strong financial performance was maintained in 2016 as indicated by a stable operating profit margin excluding amortisation of goodwill of 22.07% (2015: 17.51%). Turnover decreased by 3.44% against 2015.

The slight turnover decrease was driven by a number of factors including the sale of TBWA Worldhealth London Ltd to DAS UK Investments Ltd in July 2016. Turnover growth areas include egplus Worldwide Ltd as they continue to take over the production side of other Omnicom businesses, and TBWA Ltd due to the growth of the promotional and retail shopper marketing division and Media Arts Lab division.

The decrease in direct costs was mainly driven by a decrease on Mother Tongue Ltd as 2015 was exceptionally high due to a large project incurring direct costs which was not repeated in 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 £29,039,850 (2015: £17,678,354). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out in note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

The key 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.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2016

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 2016, staff costs as a percentage of turnover have decreased to 55.1% compared to 57.5% in 2015.

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 decreased as a percentage of turnover at 21.5% compared to 23.2% in 2015. Overall office and administration costs excluding goodwill decreased by 10.4% in 2016.

	Unit	2016	2015
Staff costs as a % of turnover	%	55.10	57.50
Office and admin expenses (excluding goodwill amortisation) as % of turnover	%	21.50	23.20
Operating margin (excluding goodwill amortisation)	%	22.07	17.51

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.

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 affect on results of operations and financial position in the future.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2016

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.

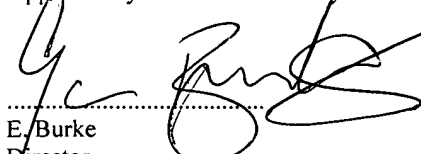
Global economic conditions have a direct impact on our business and financial performance. In particular, current global economic conditions pose a risk that our clients may reduce future spending on advertising and marketing services which could reduce the demand for our services. If domestic or global 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.

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

Approved by the Board on 5 July 2017 and signed on its behalf by:


.....
E. Burke
Director

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2016

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

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

On the 19th January 2017 a new subsidiary of LG\TBWA Ltd (formerly March Holdco Ltd), March Subsidiary Ltd was formed.

On 22nd February 2017, LG\TBWA Ltd (formerly March Holdco Ltd) acquired 100% of the issued share capital of Lucky Generals Ltd for an initial consideration of £15,000,000 plus an earnout. The final consideration is yet to be finalised. Lucky Generals Ltd are a young creative agency providing advertising services.

On 31st March, 2017, the net assets and liabilities of the division Integer London transferred from TBWA Ltd (formerly TBWA London Ltd) to Tequila London Ltd.

On 1st 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 4th April 2017 the existing company TBWA London Ltd, registered company 1367372 changed its name to TBWA Ltd.

On the 4th April 2017 March Subsidiary Ltd, registered company 10573606 changed its name to TBWA London Ltd.

Dividends

On 6th June 2016, an interim dividend was paid to TBWA EMEA Ltd of £8,000,000 in respect of the year ended 31 December 2016 (2015: £nil).

Directors of the company

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

D. Streiff

H.G. Kellerhuis (resigned 7 January 2017)

G. Smith

The following directors were appointed after the year end:

E. Burke (appointed 15 February 2017)

S. Medhurst (appointed 15 February 2017)

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2016

Political and charitable donations

During the year the Group made political donations of £nil (2015: £nil). Donations to charity amounted to £864 (2015: £nil).

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.

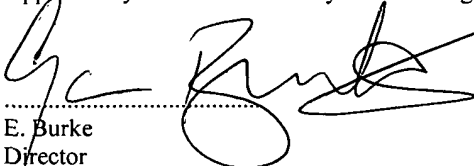
Disclosure of information to the auditor

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 5 July 2017 and signed on its behalf by:



.....
E. Burke
Director

85 Strand
5th Floor
London
WC2R 0DW

TBWA UK Group Ltd

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

We have audited the financial statements of TBWA UK Group Ltd for the year ended 31 December 2016, set out on pages 9 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report;

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

S. Richardson

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

15 Canada Square
Canary Wharf
London
E14 5GL

6 July 2017

TBWA UK Group Ltd

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

	Note	2016 £	2015 £
Gross billings		358,238,690	349,266,401
Rebillable costs		<u>(286,915,473)</u>	<u>(275,405,391)</u>
Turnover	2	71,323,217	73,861,010
Direct costs		<u>(967,912)</u>	<u>(1,368,860)</u>
Gross profit		70,355,305	72,492,150
Administrative expenses		(56,111,493)	(60,936,520)
Other operating income		<u>6,502</u>	<u>43,025</u>
Operating profit	3	<u>14,250,314</u>	<u>11,598,655</u>
Other interest receivable and similar income	7	484,969	720,653
Gain on disposal of operations		11,779,873	-
Interest payable and similar charges	8	<u>(576,623)</u>	<u>(900,536)</u>
		<u>11,688,219</u>	<u>(179,883)</u>
Profit before tax on ordinary activities		25,938,533	11,418,772
Taxation	9	<u>(3,331,029)</u>	<u>(1,817,042)</u>
Profit for the financial year		<u>22,607,504</u>	<u>9,601,730</u>
Profit/(loss) attributable to:			
Owners of the Company		<u>22,607,504</u>	<u>9,601,730</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.

The notes on pages 16 to 36 form an integral part of these financial statements.

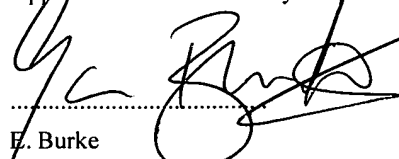
TBWA UK Group Ltd

(Registration number: 4332188)

Consolidated Balance Sheet as at 31 December 2016

	Note	2016 £	(As restated) 2015 £
Fixed assets			
Intangible assets	10	7,000,258	9,454,731
Tangible assets	11	<u>1,065,604</u>	<u>1,283,258</u>
		<u>8,065,862</u>	<u>10,737,989</u>
Current assets			
Stocks	13	4,087,267	5,347,834
Debtors	14	132,595,893	131,574,142
Cash at bank and in hand		<u>18,941</u>	<u>124,703</u>
		136,702,101	137,046,679
Creditors: Amounts falling due within one year	15	<u>(107,662,251)</u>	<u>(119,368,325)</u>
Net current assets		<u>29,039,850</u>	<u>17,678,354</u>
Total assets less current liabilities		37,105,712	28,416,343
Creditors: Amounts falling due after more than one year	15	(221,357)	(7,221,932)
Provisions for liabilities	16	<u>(1,329,633)</u>	<u>(1,580,455)</u>
Net assets		<u>35,554,722</u>	<u>19,613,956</u>
Capital and reserves			
Called up share capital	17	3	3
Capital contribution reserve		1,358,262	-
Retained earnings		<u>34,196,457</u>	<u>19,613,953</u>
Equity attributable to owners of the company		<u>35,554,722</u>	<u>19,613,956</u>
Total equity		<u>35,554,722</u>	<u>19,613,956</u>

Approved and authorised by the Board on 5 July 2017 and signed on its behalf by:



 E. Burke
 Director

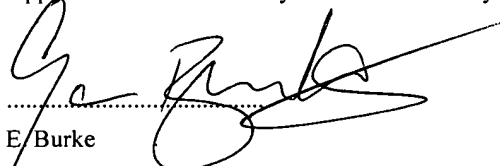
TBWA UK Group Ltd

(Registration number: 4332188)

Company Balance Sheet as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	33,057	-
Investments	12	<u>57,232,576</u>	<u>69,975,613</u>
		<u>57,265,633</u>	<u>69,975,613</u>
Current assets			
Debtors	14	33,038,849	34,197,824
Creditors: Amounts falling due within one year	15	<u>(33,221,306)</u>	<u>(40,529,228)</u>
Net current liabilities		<u>(182,457)</u>	<u>(6,331,404)</u>
Total assets less current liabilities		57,083,176	63,644,209
Creditors: Amounts falling due after more than one year	15	(7,333)	(7,221,932)
Provisions for liabilities	16	<u>(969,633)</u>	<u>(1,262,955)</u>
Net assets		<u>56,106,210</u>	<u>55,159,322</u>
Capital and reserves			
Called up share capital	17	3	3
Capital contribution reserve		1,358,262	-
Retained earnings		<u>54,747,945</u>	<u>55,159,319</u>
Total equity		<u>56,106,210</u>	<u>55,159,322</u>

Approved and authorised by the Board on 5 July 2017 and signed on its behalf by:



 E. Burke
 Director

The notes on pages 16 to 36 form an integral part of these financial statements.

TBWA UK Group Ltd

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

	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
	Share capital £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2015	3	-	10,012,223	10,012,226
Profit for the year	-	-	9,601,730	9,601,730
Total comprehensive income	-	-	9,601,730	9,601,730
At 31 December 2015	3	-	19,613,953	19,613,956

The comparative amounts for Share Premium and Share Capital have been restated to reflect the current year presentation. There is no overall change other than a reclassification between these two line items within equity.

TBWA UK Group Ltd

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

	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
	Share capital £	Profit and loss account £	Total £	
At 1 January 2015	3	48,926,543	48,926,546	
Profit for the year	-	6,232,776	6,232,776	
Total comprehensive income	-	6,232,776	6,232,776	
At 31 December 2015	3	55,159,319	55,159,322	

The notes on pages 16 to 36 form an integral part of these financial statements.

TBWA UK Group Ltd

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		22,607,504	9,601,730
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	2,222,594	2,099,488
Profit on disposal of tangible assets		(23,258)	(24,991)
Profit from disposals of investments		(11,779,873)	-
Interest receivable and similar income	7	(484,969)	(720,653)
Interest payable and similar charges	8	576,623	900,536
Share based payment expenses		253,540	231,128
Income tax expense	9	<u>3,331,029</u>	<u>1,817,042</u>
		16,703,190	13,904,280
Working capital adjustments			
Decrease in stocks	13	1,260,567	490,254
Increase in trade debtors	14	(2,593,964)	(27,849,547)
Increase in trade creditors	15	1,584,488	24,616,339
Decrease in provisions	16	<u>(250,821)</u>	<u>(131,447)</u>
Cash generated from operations		16,703,460	11,029,879
Income taxes paid	9	<u>(2,780,602)</u>	<u>(2,756,262)</u>
Net cash flow from operating activities		<u>13,922,858</u>	<u>8,273,617</u>
Cash flows from investing activities			
Interest received		484,969	720,653
Acquisitions of tangible assets		(508,444)	(703,506)
Proceeds from sale of tangible assets		23,258	24,980
Acquisition of intangible assets	10	(968,158)	-
Proceeds from sale of intangible assets		963,068	-
Settlement of dilapidations		-	(668,500)
Long term liabilities - Capital Leases		221,357	-
Cash flow on earnout on Contingent purchase price liability		(3,282,489)	(1,753,934)
Other reserves movement		<u>(25,000)</u>	<u>-</u>
Net cash flows from investing activities		<u>(3,091,439)</u>	<u>(2,380,307)</u>

The notes on pages 16 to 36 form an integral part of these financial statements.

TBWA UK Group Ltd

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from financing activities			
Interest paid		(156,216)	(198,368)
Interest on preference shares		(344,541)	(584,848)
Dividends paid		(8,000,000)	-
Ring fenced cash held by Omnicom		<u>(2,436,424)</u>	<u>(5,235,868)</u>
Net cash flows from financing activities		<u>(10,937,181)</u>	<u>(6,019,084)</u>
Net decrease in cash and cash equivalents		(105,762)	(125,774)
Cash and cash equivalents at 1 January		<u>124,703</u>	<u>250,477</u>
Cash and cash equivalents at 31 December		<u><u>18,941</u></u>	<u><u>124,703</u></u>

The notes on pages 16 to 36 form an integral part of these financial statements.

TBWA UK Group Ltd

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

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 £29,039,850 at 31 December 2016 (2015: £17,678,354). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis. The Company has net current liabilities of £(182,457) at 31 December 2016 (2015: £(6,331,404)).

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.

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to Saturday, December 31, 2016.

TBWA UK Group Ltd

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

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:

- 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.

Going concern

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

TBWA UK Group Ltd

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

Key sources of estimation uncertainty

Impairment reviews of goodwill for income generating units, set out in note 10 are conducted by comparing the net book value of the goodwill to the net present value of the discounted cashflows, using the Omnicom discounted cash flow model. The carrying amount of goodwill is £6,996,761 (2015 -£9,449,874).

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

The Group 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 Group's activities.

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 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; and differences relating to investments in subsidiaries, [associates, branch, joint ventures] 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.

TBWA UK Group Ltd

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

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.

Foreign exchange movements that arise on consolidation of foreign operations are recognised in the Statement of Comprehensive Income.

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	Depreciation method and rate
Furniture, fittings and equipment	10%, 25% and 33% per annum
Office equipment	33.33% per annum straight line basis
Motor Vehicles	25% per annum straight line basis
Leasehold Improvements	lower of asset life or life of lease on a straight line basis

Goodwill

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

Fixed asset investments

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

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.

Trade debtors

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

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

Stocks

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

TBWA UK Group Ltd

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

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.

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.

TBWA UK Group Ltd

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

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:

	2016	2015
	£	£
UK	36,972,768	42,999,151
Europe	23,813,921	22,300,720
Rest of world	10,536,528	8,561,139
	<u>71,323,217</u>	<u>73,861,010</u>

3 Operating profit/loss

Arrived at after charging/(crediting)

	2016	2015
	£	£
Depreciation on tangible fixed assets: owned	726,099	721,221
Amortisation of software and goodwill	1,496,495	1,378,267
Foreign exchange (gains) / losses	(624,184)	222,029
Profit on disposal of property, plant and equipment	(23,258)	(24,991)
Operating lease expense - property	761,107	230,183
Hire of plant and machinery - rentals payable under operating leases	632,495	816,931
Hire of other assets - rentals payable under operating leases	5,219,836	6,963,455
Rental income	<u>(2,741,703)</u>	<u>(4,531,648)</u>

4 Auditor's remuneration

	2016	2015
	£	£
Audit of these financial statements	<u>133,323</u>	<u>123,326</u>
Other fees to auditor		
Audit-related assurance services	<u>48,600</u>	<u>53,174</u>

TBWA UK Group Ltd

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

5 Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	281,808	282,934
Amounts receivable under long term incentive schemes	33,980	32,205
	<u>315,788</u>	<u>315,139</u>
Company contributions to money purchase pension schemes	18,500	18,500
	<u>334,288</u>	<u>333,639</u>

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

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

In respect of the highest paid director:

	2016	2015
	£	£
Remuneration	193,717	205,644
Benefits under long-term incentive schemes (excluding shares)	33,980	32,205
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 5 directors (2015: 5)

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

Directors are considered to be Key Management Personnel.

TBWA UK Group Ltd

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

6 Staff costs

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

	2016 £	2015 £
Wages and salaries	28,770,101	29,785,438
Share related awards	253,540	231,128
Social security costs	3,404,222	3,511,010
Pension and other post-employment benefit costs	846,860	831,795
Severance/loss of office	603,934	639,170
	<u>33,878,657</u>	<u>34,998,541</u>

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

	2016 No.	2015 No.
Production	184	161
Administration and support	85	100
Sales, marketing and distribution	1	1
Other departments	318	296
	<u>588</u>	<u>558</u>

7 Other interest receivable and similar income

	2016 £	2015 £
Bank interest receivable	414	46
Receivable from group undertakings	484,555	720,607
	<u>484,969</u>	<u>720,653</u>

8 Interest payable and similar charges

	2016 £	2015 £
Payable to group undertakings	65,324	96,713
Interest payable on shares classified as liabilities	344,541	584,848
Other interest payable	164,963	218,975
Finance charges payable in respect of finance leases and hire purchase contracts	1,795	-
	<u>576,623</u>	<u>900,536</u>

TBWA UK Group Ltd

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

9 Taxation

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

	2016 £	2015 £
Current taxation		
Current tax on income for the period	2,826,443	2,118,977
Adjustments in respect of previous periods	238,481	(494,026)
	<u>3,064,924</u>	<u>1,624,951</u>
Current foreign tax on income for the period	182,660	126,189
Foreign tax adjustment to prior periods	-	(22,056)
	<u>182,660</u>	<u>104,133</u>
Total current income tax	<u>3,247,584</u>	<u>1,729,084</u>
Deferred taxation		
Origination and reversal of timing differences	(90,662)	60,865
Effect of increased/decreased tax rate on opening liability	64,519	27,702
Adjustment in respect of previous periods	109,588	(609)
Total deferred taxation	<u>83,445</u>	<u>87,958</u>
Tax expense in the profit and loss account	<u>3,331,029</u>	<u>1,817,042</u>

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

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	<u>25,938,533</u>	<u>11,418,772</u>
Corporation tax at standard rate	5,187,707	2,312,301
Effect of expense not deductible in determining taxable profit (tax loss)	(2,307,125)	28,053
UK deferred tax expense (credit) relating to changes in tax rates or laws	64,519	27,702
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	109,588	(609)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	238,481	(516,082)
Tax increase (decrease) from other short-term timing differences	<u>37,859</u>	<u>(34,323)</u>
Total tax charge	<u>3,331,029</u>	<u>1,817,042</u>

TBWA UK Group Ltd

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

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.

Deferred tax

Group

Deferred tax assets and liabilities

2016

Difference between accumulated depreciation and capital allowances
Other timing differences

Asset
£

292,406
102,303
394,709

2015

Difference between accumulated depreciation and capital allowances
Other timing differences

Asset
£

434,782
43,372
478,154

Company

Deferred tax assets and liabilities

2016

Difference between accumulated depreciation and capital allowances
Other timing differences

Asset
£

60,893
47,854
108,747

2015

Difference between accumulated depreciation and capital allowances
Other timing differences

Asset
£

26,929
-
26,929

TBWA UK Group Ltd

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

10 Intangible assets

Group

	Goodwill £	Software £	Total £
Cost or valuation			
At 1 January 2016	82,305,549	438,297	82,743,846
Additions	-	5,090	5,090
Disposals	<u>(24,806,776)</u>	<u>-</u>	<u>(24,806,776)</u>
At 31 December 2016	<u>57,498,773</u>	<u>443,387</u>	<u>57,942,160</u>
Amortisation			
At 1 January 2016	72,855,675	433,440	73,289,115
Amortisation charge	1,490,045	6,450	1,496,495
Disposals	<u>(23,843,708)</u>	<u>-</u>	<u>(23,843,708)</u>
At 31 December 2016	<u>50,502,012</u>	<u>439,890</u>	<u>50,941,902</u>
Carrying amount			
At 31 December 2016	<u>6,996,761</u>	<u>3,497</u>	<u>7,000,258</u>
At 31 December 2015	<u>9,449,874</u>	<u>4,857</u>	<u>9,454,731</u>

Disposals include £(963,068) which represents the decrease in the Contingent Purchase Price creditor related to the acquisition of Mother Tongue Ltd in 2012.

Goodwill of £1,493,897 was disposed of relating to the sale of TBWA Worldhealth London Ltd (formerly TBWA Paling Walters Ltd) to DAS UK Investments Ltd on 1st July 2016.

Goodwill relating to companies struck off was disposed of, Staniforth Ltd £5,241,602, MKP Ltd £16,694,574 and Stream/MSI Ltd £413,635 as the Group no longer holds any assets relating to these companies. There is no impact on the carrying value of goodwill.

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

The review indicated 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 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 2016

Company

	Software £
Cost or valuation	
At 1 January 2016	<u>4,000</u>
At 31 December 2016	<u>4,000</u>
Amortisation	
At 1 January 2016	<u>4,000</u>
At 31 December 2016	<u>4,000</u>
Carrying amount	
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>-</u>

TBWA UK Group Ltd

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

11 Tangible fixed assets

Group

	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2016	2,343,520	2,325,735	39,420	174,970	4,883,645
Additions	50,286	247,049	-	211,109	508,444
Disposals	(242,797)	(416,454)	(22,266)	(11,732)	(693,249)
At 31 December 2016	2,151,009	2,156,330	17,154	374,347	4,698,840
Depreciation					
At 1 January 2016	1,777,795	1,621,512	39,420	161,660	3,600,387
Charge for the year	458,242	242,901	-	24,956	726,099
Disposals	(242,798)	(416,454)	(22,266)	(11,732)	(693,250)
At 31 December 2016	1,993,239	1,447,959	17,154	174,884	3,633,236
Carrying amount					
At 31 December 2016	157,770	708,371	-	199,463	1,065,604
At 31 December 2015	565,725	704,223	-	13,310	1,283,258

TBWA UK Group Ltd

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

12 Fixed assets investments

Company	Shares in group undertakings £
Subsidiaries	
Cost	
At 1 January 2016	100,162,187
Disposals	<u>(14,101,299)</u>
At 31 December 2016	<u>86,060,888</u>
Provision for impairment	
At 1 January 2016	30,186,574
Eliminated on disposals	<u>(1,358,262)</u>
At 31 December 2016	<u>28,828,312</u>
Carrying amount	
At 31 December 2016	<u>57,232,576</u>
At 31 December 2015	<u>69,975,613</u>

The disposal to investments represents the decrease in the Contingent Purchase Price creditor related to the purchase of Mother Tongue Ltd in 2012.

On 1st July 2016 the investment in TBWA Worldhealth London Ltd (formerly TBWA Paling Walters Ltd) was sold to DAS UK Investments Ltd for a consideration of £13,138,231. The excess consideration over and above the fair value of the investment sold of £1,358,262 has been recognised as a capital contribution in reserves.

During the year ended 31 December 2016, the directors conducted an impairment review of its investments by comparing the carrying value of the investment to the net present value of the discounted cashflows, using the Omnicom Discounted Cash Flow Model, using a pre-tax WACC rate of 10.3%.

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.

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

TBWA UK Group Ltd

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

13 Stocks

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Work in progress	<u>4,087,267</u>	<u>5,347,834</u>	<u>-</u>	<u>-</u>

14 Debtors

		Group		Company	
	Note	2016	2015	2016	2015
		£	£	£	£
Trade debtors		46,270,112	46,352,458	-	24,288
Amounts owed by group undertakings - trading balances		35,768,418	32,947,023	29,422,315	26,624,283
Amounts owed by group undertakings - loans and advances		24,962,152	26,613,918	3,225,298	6,990,719
Other debtors		15,917,684	18,246,996	132,414	388,629
Deferred tax assets	9	394,709	478,154	108,747	26,929
Prepayments and accrued income		<u>9,282,818</u>	<u>6,935,593</u>	<u>150,075</u>	<u>142,976</u>
		<u>132,595,893</u>	<u>131,574,142</u>	<u>33,038,849</u>	<u>34,197,824</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc and Omnicom Financial Services Limited or by Omnicom Finance plc and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £24,962,152 (2015: £26,613,918) representing cash deposited by the Group under these arrangements.

TBWA UK Group Ltd

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

15 Creditors

Note	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Due within one year				
Preference shares classified as liabilities	-	13,194,325	-	13,194,325
Obligations under finance lease and hire purchase contracts	59,317	-	2,429	-
Payments received on account	3,394,541	3,559,860	-	-
Trade creditors	2,818,907	4,018,106	44,229	105,555
Amounts owed to group undertakings - trading balances	85,121,861	80,851,025	29,427,597	26,535,143
Amounts owed to group undertakings - loans and advances	12,752	4,100,942	-	-
Taxation and social security	3,799,174	3,624,100	-	-
Other creditors	3,049,114	-	3,049,114	-
Accruals and deferred income	9,406,585	10,019,967	697,937	694,205
	<u>107,662,251</u>	<u>119,368,325</u>	<u>33,221,306</u>	<u>40,529,228</u>
Due after one year				
Obligations under finance lease and hire purchase contracts	221,357	-	7,333	-
Other creditors	-	7,221,932	-	7,221,932
	<u>221,357</u>	<u>7,221,932</u>	<u>7,333</u>	<u>7,221,932</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance plc and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc and Omnicom Financial Services Limited or by Omnicom Finance plc and Omnicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £12,752 (2015: £4,100,942) representing cash deposited by the Group under these arrangements.

Included in other creditors is the Contingent Purchase Price provision for the acquisition of Mother Tongue Ltd in 2012, which was decreased by £963,008. The final earnout payment was paid on the 24th May 2016, £3,072,320.

TBWA UK Group Ltd

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

16 Provisions

Group

	Other provisions £
At 1 January 2016	1,580,455
Additional provisions	80,000
Provisions used	(2,000)
Unused provision reversed	<u>(328,822)</u>
At 31 December 2016	<u><u>1,329,633</u></u>

Other provisions consists primarily of property provisions.

Company

	Other provisions £
At 1 January 2016	1,262,955
Unused provision reversed	<u>(293,322)</u>
At 31 December 2016	<u><u>969,633</u></u>

17 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3
4.05% cumulative preference shares of £0 (2015 - £1) each	-	-	13,138,231	13,138,231
	<u>3</u>	<u>3</u>	<u>13,138,234</u>	<u>13,138,234</u>

Redeemable preference shares

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

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

TBWA UK Group Ltd

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

18 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £846,860 (2015 - £831,795).

19 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:

	2016 £	2015 £
Not later than one year	1,357,011	1,556,399
Later than one year and not later than five years	5,933,198	918,865
Later than five years	<u>7,621</u>	<u>2,180</u>
	<u>7,297,830</u>	<u>2,477,444</u>

Company

Operating leases

The total of future minimum lease payments is as follows:

	2016 £	2015 £
Not later than one year	990,415	1,082,639
Later than one year and not later than five years	<u>5,605,580</u>	<u>428,712</u>
	<u>6,595,995</u>	<u>1,511,351</u>

TBWA UK Group Ltd

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

20 Related party transactions

Group

Summary of transactions with subsidiaries

As a 100% owned indirect subsidiary of Omnicom Group Inc., the Group has taken advantage of the exemption under 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.

21 Parent and ultimate parent undertaking

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

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

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 2016

22 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 2016.

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

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						
Being London Limited	3119703	England	Ordinary	100.00	Digital advertising services	85 Strand, 5th Floor, London, WC2R 0DW, England
egplus worldwide limited	1029724	England	Ordinary	100.00	Advertising production company	85 Strand, 5th Floor, London, WC2R 0DW, England
Mother Tongue Inc.	4975481	Delaware	Ordinary	100.00	Marketing translation services	1, Little West, 12th Street, New York, NY, NY10014, United States
Mother Tongue Limited	2565571	England	Ordinary	100.00	Marketing translation services	85 Strand, 5th Floor, London, WC2R 0DW, England

TBWA UK Group Ltd

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

Mother Tongue Pte Ltd	201120730D	Singapore	Ordinary	100.00	Marketing translation services	991A, Alexandra Road. #01-07, 119969, Singapore
TBWA\ Limited (formerly TBWA London Ltd)	1367372	England	Ordinary	100.00	Advertising and media services	85 Strand, 5th Floor, London, WC2R 0DW, England
TBWA\Manchester Limited	2160991	England	Ordinary	100.00	Advertising and marketing services	85 Strand, 5th Floor, London, WC2R 0DW, England
Tequila London Limited	2300483	England	Ordinary	100.00	Relationship marketing services	85 Strand, 5th Floor, London, WC2R 0DW, England