

Registration number: 4332188

TBWA UK Group Ltd

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2013

FRIDAY



A3EC1T0Q

A19

15/08/2014

COMPANIES HOUSE

#262

TBWA UK Group Ltd

Contents

Strategic Report	1 to 4
Directors' Report	5
Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements	6
Independent Auditors' Report	7 to 8
Consolidated Profit and Loss Account	9
Consolidated Balance Sheet	10
Balance Sheet	11
Reconciliation of movement in shareholders' funds	12
Notes to the Financial Statements	13 to 33

TBWA UK Group Ltd

Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

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

Development and performance of the business of the Group during the financial year

Financial Performance

The key indicators that we focus on are revenue, operating and administrative expenses excluding goodwill and amortisation.

2013 was a year of strong financial recovery following the challenge faced in 2012. There were some significant new business wins in 2013 which ultimately will contribute to a growth in gross profit on an annualised basis.

The Company has invested significantly in talent during recent years and this together with cost reductions in administration costs through the year has resulted in a robust and efficient Company that is prepared to meet the challenges of future years. The results of the business wins and cost reductions can be seen from the improved performance year on year. Profit before taxation excluding amortisation on goodwill for 2013 is £7,789,898 (2012: £3,108,292).

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

At this time the belief is that business prospects in the industry are improving and positive, therefore stable growth is anticipated for 2014. We expect that we will be able to improve margins as a result of new business wins, our continued new business initiatives and our continuing focus on cost reduction. However, although the economic climate is also positive it remains volatile and client's business could be adversely affected which may lead to reductions in spending.

Position of the Group at the year end

At the end of the year the Group had net current assets of £3,001,311 (net current liabilities in 2012: £(2,806,215)). The directors consider that the Group has access to sufficient funds 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 2013

Principal risks and uncertainties

Risk Factors

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

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

In addition we may lose or fail to attract and retain key personnel. Our employees are our most important assets. Our ability to retain key personnel is an important aspect of our competitiveness. Our continuing ability to attract and retain those employees is important to our business and if we are unable to do so, our ability to provide our services in the manner our customers have come to expect may be adversely affected which could harm our reputation and result in a loss of clients, which could have a material adverse affect on our results of operations and financial condition.

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

We rely on information technology systems and infrastructure to process transactions, summarize 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 unauthorized persons or to the public. Additionally, we utilize 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 assurance that our efforts will prevent system failures or network disruptions or breaches in our systems, or in systems of third parties we use, that could adversely affect our reputation or business.

TBWA UK Group Ltd
Strategic Report for the Year Ended 31 December 2013

The main trends and factors likely to affect future development, performance and position of the Group's 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 revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future economic conditions, reductions in our client revenue, changes in client creditworthiness and other developments will be effective.

Global economic uncertainty, turmoil in the credit markets or a contraction in the availability of credit may make it more difficult for businesses, including us, to meet their working capital requirements and could lead clients to seek to change their financial relationship with their vendors, including us, and 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 circumstances. There is no assurance that such additional financing would be available on favorable terms, if at all. Such circumstances could have a material adverse 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 and 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 technologies as advertising mediums. These actions could affect our business and reduce demand for certain of our 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 2013

Key Performance Indicators (both financial and non-financial)

The key indicators that we review focus on revenue, operating margin, and administrative expenses excluding goodwill amortization.

We measure operating expenses in two distinct cost categories: Staff costs and office and administrative expenses. Staff costs consist of employee compensation, related costs including freelance compensation and direct service costs. Office and administrative expenses consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses.

Because we are a service business, we monitor staff costs and office and administrative costs in relation to revenue. Staff costs tend to fluctuate in conjunction with changes in revenue. Staff costs, including freelance costs, excluding severance have remained steady at 57.5% of revenue in 2013 compared to 57.6% in 2012.

Administration expenses are less directly linked to changes in revenue than salary and service costs. Administration expenses, excluding goodwill amorisation decreased to 37.32% of revenue in 2013 compared to 39.05% in 2012, reflecting our continuing efforts to control the cost structures of our agencies.

Due to the factors described above plus improved revenues, operating margins, excluding severance and amortisation on goodwill, increased to 14% in 2013 from 8% in 2012.

Approved by the Board on 31 July 2014 and signed on its behalf by:



.....
G. Smith
Director

TBWA UK Group Ltd
Directors' Report for the Year Ended 31 December 2013

The directors present their report and the consolidated financial statements for the year ended 31 December 2013.

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.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013, (2012: £nil).

A dividend in specie of £25,877 representing the value of its net assets was paid from Staniforth Ltd to its holding company TBWA UK Group Ltd. Staniforth Ltd is in the process of being struck off.

Directors of the Company

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

D. Streiff

H. G. Kellerhuis

G. Smith

Political and charitable contributions

The Company made political contributions during the year amounting to £12,951 (2012: £nil). Donations to charities amounted to £10 (2012: £595).

Disclosure of information to the auditors

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

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 31 July 2014 and signed on its behalf by:



.....
G. Smith
Director

239 Old Marylebone Road
London
NW1 5QT

TBWA UK Group Ltd
Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 group and of the profit or loss of the group 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.

TBWA UK Group Ltd
Independent Auditors' 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 2013, set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 in respect of the Strategic Report, Directors' Report and the financial statements (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.

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 of the parent company's affairs as at 31 December 2013 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.

Other matter - prior period financial statements

In forming our opinion on the financial statements, which is not modified we note that the prior period consolidated financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these consolidated financial statements are unaudited.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

TBWA UK Group Ltd
Independent Auditors' Report to the members of TBWA UK Group Ltd

Andrew T

Andrew Turner (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

8 Salisbury Square
London
EC4Y 8BB

Date: 31 July 2014

TBWA UK Group Ltd
Consolidated Profit and Loss Account for the Year Ended 31 December 2013


		2013	(Unaudited) 2012
	Note	£	£
Gross billings		279,504,949	240,025,830
Rebillable costs		<u>(219,718,639)</u>	<u>(191,606,914)</u>
Revenue	2	59,786,310	48,418,916
Direct costs		<u>(1,281,850)</u>	<u>(1,095,276)</u>
Gross profit		58,504,460	47,323,640
Administrative expenses		<u>(56,580,693)</u>	<u>(45,068,251)</u>
Group operating profit	3	1,923,767	2,255,389
Income from shares in group undertakings		302,907	-
Other interest receivable and similar income	6	468,035	652,948
Interest payable and similar charges	7	<u>(746,713)</u>	<u>(693,665)</u>
Profit on ordinary activities before taxation		1,947,996	2,214,672
Tax on profit on ordinary activities	8	<u>(1,679,879)</u>	<u>(1,236,459)</u>
Profit for the financial year attributable to members of the parent company	18	<u><u>268,117</u></u>	<u><u>978,213</u></u>

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

TBWA UK Group Ltd
(Registration number: 4332188)
Consolidated Balance Sheet as at 31 December 2013

	Note	2013		(Unaudited) 2012	
		£	£	£	£
Fixed assets					
Intangible assets	9		7,003,902		12,849,910
Tangible assets	10		<u>1,619,536</u>		<u>933,805</u>
			8,623,438		13,783,715
Other investments			<u>1</u>		<u>25,100</u>
			8,623,439		13,808,815
Current assets					
Stocks	12	4,982,314		7,189,510	
Debtors	13	91,503,586		86,318,724	
Cash at bank and in hand		<u>369,502</u>		<u>141,095</u>	
		96,855,402		93,649,329	
Creditors: Amounts falling due within one year	14	<u>(93,854,091)</u>		<u>(96,455,544)</u>	
Net current assets/(liabilities)			<u>3,001,311</u>		<u>(2,806,215)</u>
Total assets less current liabilities			11,624,750		11,002,600
Creditors: Amounts falling due after more than one year	15		(5,647,879)		(5,565,583)
Provisions for liabilities	16		<u>(2,410,406)</u>		<u>(2,138,669)</u>
Net assets			<u>3,566,465</u>		<u>3,298,348</u>
Capital and reserves					
Called up share capital	17	3		3	
Share premium reserve	18	848,982		848,982	
Other reserves	18	1		25,000	
Profit and loss account	18	<u>2,717,479</u>		<u>2,424,363</u>	
Shareholders' funds			<u>3,566,465</u>		<u>3,298,348</u>

Approved by the Board on 31 July 2014 and signed on its behalf by:



 G. Smith
 Director

TBWA UK Group Ltd
(Registration number: 4332188)
Balance Sheet as at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	9	-	3,200
Investments	11	<u>63,552,651</u>	<u>63,552,651</u>
		<u>63,552,651</u>	<u>63,555,851</u>
Current assets			
Debtors	13	23,091,981	38,092,877
Creditors: Amounts falling due within one year	14	<u>(39,108,452)</u>	<u>(53,742,109)</u>
Net current liabilities		<u>(16,016,471)</u>	<u>(15,649,232)</u>
Total assets less current liabilities		47,536,180	47,906,619
Creditors: Amounts falling due after more than one year	15	(5,647,879)	(5,565,583)
Provisions for liabilities	16	<u>(2,290,406)</u>	<u>(2,138,669)</u>
Net assets		<u>39,597,895</u>	<u>40,202,367</u>
Capital and reserves			
Called up share capital	17	3	3
Profit and loss account	18	<u>39,597,892</u>	<u>40,202,364</u>
Shareholders' funds		<u>39,597,895</u>	<u>40,202,367</u>

Approved by the Board on 31 July 2014 and signed on its behalf by:



.....
G. Smith
Director

TBWA UK Group Ltd

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2013

Group

	2013 £	(Unaudited) 2012 £
Profit attributable to the members of the Company	268,117	978,213
Other reserve movements	<u>-</u>	<u>28,750</u>
Net addition to shareholders funds	268,117	1,006,963
Shareholders' funds at 1 January	<u>3,298,348</u>	<u>2,291,385</u>
Shareholders' funds at 31 December	<u><u>3,566,465</u></u>	<u><u>3,298,348</u></u>

Company

	2013 £	(Unaudited) 2012 £
(Loss)/profit attributable to the members of the company	(630,349)	43,155
Dividends	<u>25,877</u>	<u>-</u>
Net (reduction)/addition to shareholders funds	(604,472)	43,155
Shareholders' funds at 1 January	<u>40,202,367</u>	<u>40,159,212</u>
Shareholders' funds at 31 December	<u><u>39,597,895</u></u>	<u><u>40,202,367</u></u>

The notes on pages 13 to 33 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements

1 Accounting policies

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

Basis of preparation

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

The consolidated group financial statements are being prepared for the first time and the fiscal year 2012 consolidated comparatives are unaudited.

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Omnicom Group Inc., which includes the Company in its own published consolidated financial statements.

The Company has net current assets of £3,001,311 at 31 December 2013 (net current liabilities 2012: £(2,806,215)). The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis.

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, the 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 or by Omnicom Finance plc 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.

As the Company is a wholly owned subsidiary of Omnicom Group Inc., the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Omnicom Group Inc., within which this Company is included, can be obtained from the address given in note 22.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to Tuesday, December 31, 2013.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account includes the results of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

TBWA UK Group Ltd

Notes to the Financial Statements

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £630,349 (2012 - £43,155).

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Subsidiary Exemption

For the year ended 31 December 2013 the Group subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006.

The Group subsidiaries entitled to take the exemption are:

TBWA London Ltd
Tequila London Ltd
Being London Ltd
TBWA Paling Walters Ltd
E-graphics Ltd
TBWA Manchester Ltd
Staniforth Ltd

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation and impairment. They are amortised on a straight line basis over their estimated useful lives.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Fixed assets and depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class

Leasehold improvements
Computer software
Fixtures, fittings, tools and equipment

Depreciation method and rate

lower of lease or asset life if shorter on a straight line basis
33.33% per annum straight line basis
10%, 25% and 33% per annum

TBWA UK Group Ltd

Notes to the Financial Statements

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Leases

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

Post-retirement benefits

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

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value, Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

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

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Dividends on shares presented within shareholders' funds

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.

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.

TBWA UK Group Ltd

Notes to the Financial Statements

Rebillable costs

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

Revenue

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

2 Turnover

The whole of the Company's turnover (billings), revenue and operating profit for the year related to its principal activity, which was that of an advertising agency, and which was carried out in the United Kingdom.

An analysis of turnover by geographical location by destination is given below:

	UK £	Europe £	Rest of World £	Total £
2013				
External turnover	<u>27,649,813</u>	<u>25,369,889</u>	<u>6,766,608</u>	<u>59,786,310</u>
	UK £	Europe £	Rest of World £	Total £
2012				
External turnover	<u>26,590,497</u>	<u>17,169,325</u>	<u>4,659,094</u>	<u>48,418,916</u>

TBWA UK Group Ltd
Notes to the Financial Statements

3 Operating profit

Operating profit is stated after charging.

	2013	2012
	£	£
Depreciation and other assets written off tangible and intangible fixed assets: owned	611,988	623,360
Amortisation of goodwill	5,841,901	893,620
Net exchange losses	165,509	499,432
Profit on sale of tangible fixed assets	(11,276)	-
Hire of plant and machinery - rentals payable under operating leases	600,703	527,925
Hire of other assets - rentals payable under operating leases	<u>6,887,085</u>	<u>6,680,724</u>
	2013	2012
	£	£
Audit of these financial statements	<u>163,578</u>	<u>190,049</u>
Fees payable to the company's auditor and its associates for other services:		
Other assurance services	<u>27,416</u>	<u>28,000</u>

TBWA UK Group Ltd
Notes to the Financial Statements

4 Directors' remuneration

	2013	2012
	£	£
Directors' emoluments	1,676,375	1,571,775
Amounts receivable under long term incentive schemes	123,906	62,654
	<u>1,800,281</u>	<u>1,634,429</u>
Company contributions to money purchase pension schemes	59,805	73,596
Compensation for loss of office	153,720	67,762
	<u>2,013,806</u>	<u>1,775,787</u>

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

	2013 No.	2012 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>3</u>

The Company's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking.

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.

Amounts recognised as long term incentives are in respect of restricted share awards vesting within the year. At the end of the year the Company had accrued £410,452 (2012: £755,855) in respect of unvested restricted share awards to directors.

In respect of the highest paid director:

	2013 £	2012 £
Remuneration	314,400	248,416
Benefits under long-term incentive schemes (excluding shares)	81,343	31,280
Company contributions to money purchase pension schemes	<u>30,000</u>	<u>-</u>

TBWA UK Group Ltd
Notes to the Financial Statements

5 Staff numbers and costs

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

	2013 No.	2012 No.
Production	87	104
Administration and support	118	131
Research and development	8	11
Sales, marketing and distribution	2	1
Sales	3	2
Other departments	215	177
	<u>433</u>	<u>426</u>

The aggregate payroll costs were as follows:

	2013 £	2012 £
Wages and salaries	24,392,412	21,426,900
Share related awards	144,028	137,582
Social security costs	2,905,194	2,582,723
Other pension schemes	425,980	397,343
Severance/loss of office	556,505	723,240
	<u>28,424,119</u>	<u>25,267,788</u>

6 Other interest receivable and similar income

	2013 £	2012 £
Bank interest receivable	176	-
Receivable from group undertakings	467,859	652,948
	<u>468,035</u>	<u>652,948</u>

7 Interest payable and similar charges

	2013 £	2012 £
Payable to group undertakings	81,264	94,937
Interest payable on shares classified as liabilities	583,153	585,341
Other interest payable	82,296	13,387
	<u>746,713</u>	<u>693,665</u>

TBWA UK Group Ltd
Notes to the Financial Statements

8 Taxation

Tax on profit on ordinary activities

	2013	2012
	£	£
Current tax		
Current tax on income for the period	1,480,977	953,057
Adjustments in respect of previous years	(35,776)	211,684
Total current tax	<u>1,445,201</u>	<u>1,164,741</u>
Deferred tax		
Origination and reversal of timing differences	124,682	93,824
Effect of increased/(decreased) tax rate on opening liability	51,946	49,668
Adjustment in respect of previous years	60,622	(71,774)
Deferred tax relating to FRS 19	(2,572)	-
Total deferred tax	<u>234,678</u>	<u>71,718</u>
Total tax on profit on ordinary activities	<u><u>1,679,879</u></u>	<u><u>1,236,459</u></u>

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2012 - higher than the standard rate of corporation tax in the UK) of 23.25% (2012 - 24.5%).

The differences are reconciled below:

	2013	2012
	£	£
Profit on ordinary activities before tax	<u>1,947,996</u>	<u>2,214,672</u>
Corporation tax at standard rate	452,886	542,595
Capital allowances in excess of depreciation	(29,600)	(23,920)
Other timing differences	(198,826)	52,867
Non-taxable income	(82,551)	-
Expenses not deductible for tax purposes	161,734	162,578
Non-tax deductible amortisation of goodwill and impairment	1,177,334	218,937
Adjustment for prior periods	(35,776)	211,684
Total current tax	<u><u>1,445,201</u></u>	<u><u>1,164,741</u></u>

Accounting periods ending after the substantive enactment of the reduction to 24% and 23%

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly.

TBWA UK Group Ltd
Notes to the Financial Statements

9 Intangible fixed assets

Group

	Goodwill £	Software £	Total £
Cost			
At 1 January 2013	<u>110,470,153</u>	<u>10,786</u>	<u>110,480,939</u>
At 31 December 2013	<u>110,470,153</u>	<u>10,786</u>	<u>110,480,939</u>
Amortisation			
At 1 January 2013	97,624,440	6,589	97,631,029
Charge for the year	<u>5,841,901</u>	<u>4,107</u>	<u>5,846,008</u>
At 31 December 2013	<u>103,466,341</u>	<u>10,696</u>	<u>103,477,037</u>
Net book value			
At 31 December 2013	<u>7,003,812</u>	<u>90</u>	<u>7,003,902</u>
At 31 December 2012	<u>12,845,713</u>	<u>4,197</u>	<u>12,849,910</u>

Company

	Software £
Cost	
At 1 January 2013	<u>4,000</u>
At 31 December 2013	<u>4,000</u>
Amortisation	
At 1 January 2013	800
Charge for the year	<u>3,200</u>
At 31 December 2013	<u>4,000</u>
Net book value	
At 31 December 2013	<u>-</u>
At 31 December 2012	<u>3,200</u>

TBWA UK Group Ltd
Notes to the Financial Statements

10 Tangible fixed assets

Group

	Leasehold improvements £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 January 2013	7,234,917	2,342,584	148,074	2,173,568	11,899,143
Additions	1,186,651	84,181	-	21,887	1,292,719
Disposals	(5,063,555)	(1,690,468)	(56,727)	(2,042,194)	(8,852,944)
At 31 December 2013	3,358,013	736,297	91,347	153,261	4,338,918
Depreciation					
At 1 January 2013	6,425,976	2,246,743	148,074	2,144,545	10,965,338
Charge for the year	507,317	70,253	-	30,311	607,881
Disposals	(5,063,554)	(1,690,467)	(56,727)	(2,042,069)	(8,852,817)
Transfers between items	1,000	5,964	-	(7,984)	(1,020)
At 31 December 2013	1,870,739	632,493	91,347	124,803	2,719,382
Net book value					
At 31 December 2013	1,487,274	103,804	-	28,458	1,619,536
At 31 December 2012	808,941	95,841	-	29,023	933,805

TBWA UK Group Ltd
Notes to the Financial Statements

Company

	Leasehold improvements £	Total £
Cost		
At 1 January 2013	591,164	591,164
At 31 December 2013	591,164	591,164
Depreciation		
At 1 January 2013	591,164	591,164
At 31 December 2013	591,164	591,164
Net book value		
At 31 December 2013	-	-
At 31 December 2012	-	-

TBWA UK Group Ltd
Notes to the Financial Statements

11 Fixed asset investment

Group

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost			
At 1 January 2013	25,000	183,122	208,122
Disposals	(24,999)	(183,122)	(208,121)
At 31 December 2013	<u>1</u>	<u>-</u>	<u>1</u>
Depreciation			
At 1 January 2013	-	183,022	183,022
Disposals	-	(183,122)	(183,122)
Impairment losses	-	100	100
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2013	<u>1</u>	<u>-</u>	<u>1</u>
At 31 December 2012	<u>25,000</u>	<u>100</u>	<u>25,100</u>

Company

	Shares in group undertakings £	Total £
Cost		
At 1 January 2013	<u>90,723,070</u>	<u>90,723,070</u>
At 31 December 2013	<u>90,723,070</u>	<u>90,723,070</u>
Depreciation		
At 1 January 2013	<u>27,170,419</u>	<u>27,170,419</u>
At 31 December 2013	<u>27,170,419</u>	<u>27,170,419</u>
Net book value		
At 31 December 2013	<u>63,552,651</u>	<u>63,552,651</u>
At 31 December 2012	<u>63,552,651</u>	<u>63,552,651</u>

TBWA UK Group Ltd
Notes to the Financial Statements

Investments held as fixed assets

Details of undertakings

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

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
* TBWA London Ltd	UK	Equity	100%	Advertising and media services
* E-Graphics Ltd	UK	Equity	100%	Full service production facility
* TBWA Manchester Ltd	UK	Equity	100%	Advertising and marketing services
* Staniforth Ltd	UK	Equity	100%	Corporate Communications
* TBWA Paling Walters Ltd	UK	Equity	100%	Healthcare advertising and consultancy
* Being London Ltd	UK	Equity	100%	Digital advertising and services
* Tequila London Ltd	UK	Equity	100%	Relationship marketing activities
* Mother Tongue Ltd	UK	Equity	100%	Marketing Translation
Associates				
Being Hakuodo Ltd	UK	Equity	50%	Advertising and Direct Marketing

TBWA UK Group Ltd

Notes to the Financial Statements

*Direct

All UK companies listed above are incorporated in England and Wales. All of the above companies are unlisted.

Other indirect holdings of the Company have been excluded in accordance with the Companies Act s410 as they are not deemed to be significant to these accounts. A full list of the Company's subsidiaries will be included in the Company's next Annual Return.

Impairment reviews of TBWA UK Group Ltd's investments were calculated by comparing the carrying value of the investments to the net present value of the discounted cashflows, using the Omnicom discount rate of 10.7%.

The investment in Being Hakuodo Ltd of £24,999 was written down as at the 30th August 2013 and the company was struck off as at the 13th May 2014.

The share capital in Staniforth Ltd of £69,105 was reduced as at the 24th December 2013.

12 Stocks

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Stocks	<u>4,982,314</u>	<u>7,189,510</u>	<u>-</u>	<u>-</u>

TBWA UK Group Ltd
Notes to the Financial Statements

13 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	32,475,532	34,963,388	27,309	109,681
Amounts owed by group undertakings				
- trading balances	24,956,484	23,058,822	21,956,859	21,123,972
Amounts owed by group undertakings				
- loans and advances	14,528,070	10,670,767	-	15,994,240
Other debtors	12,311,661	12,961,347	78,295	112,657
Deferred tax asset	427,576	662,254	43,308	56,359
Prepayments and accrued income	6,804,263	4,002,146	986,210	695,968
	<u>91,503,586</u>	<u>86,318,724</u>	<u>23,091,981</u>	<u>38,092,877</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, 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 or by Omnicom Finance plc depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £14,528,070 (2012: £10,670,767) representing cash deposited by the Company under these arrangements.

Deferred tax

Analysis of deferred tax

Group

	2013	2012
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	401,744	614,974
Other timing differences	25,832	47,280
	<u>427,576</u>	<u>662,254</u>

Company

	2013	2012
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	43,308	56,359

TBWA UK Group Ltd
Notes to the Financial Statements

14 Creditors: Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Preference shares classified as liabilities	13,189,499	13,189,494	13,189,499	13,189,494
Bank loans and overdrafts	-	2,226	-	-
Payments received on account	4,141,624	5,220,195	-	-
Trade creditors	3,626,792	3,068,666	246,496	148,408
Amounts owed to group undertakings - trading balances	61,274,170	61,350,067	21,758,718	20,528,186
Amounts owed to group undertakings - loans and advances	-	-	1,630,350	17,308,299
Taxation and social security	1,846,725	1,738,361	539,335	440,521
Other creditors	1,168,880	1,325,718	-	-
Accruals and deferred income	8,606,401	10,560,817	1,744,054	2,127,201
	<u>93,854,091</u>	<u>96,455,544</u>	<u>39,108,452</u>	<u>53,742,109</u>

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Other creditors	<u>5,647,879</u>	<u>5,565,583</u>	<u>5,647,879</u>	<u>5,565,583</u>

TBWA UK Group Ltd
Notes to the Financial Statements

16 Provisions

Group

	Other provision £
At 1 January 2013	2,138,669
Credited to the profit and loss account	(168,403)
Additional amounts provided	<u>440,140</u>
At 31 December 2013	<u><u>2,410,406</u></u>

Company

	Other provision £
At 1 January 2013	2,138,669
Credited to the profit and loss account	(168,403)
Additional amounts provided	<u>320,140</u>
At 31 December 2013	<u><u>2,290,406</u></u>

TBWA UK Group Ltd
Notes to the Financial Statements

17 Share capital

Allotted, called up and fully paid shares

	2013		2012	
	No.	£	No.	£
Ordinary shares of £ 1.00 each	3	3	3	3
4.05% cumulative preference shares of £ 1.00 each	13,138,231	13,138,231	13,138,231	13,138,231
	<u>13,138,234</u>	<u>13,138,234</u>	<u>13,138,234</u>	<u>13,138,234</u>

The Preference Shares shall be redeemed in whole or in part at the option (exercisable at any time) of either the Company or the holder of the Preference Shares either by the Company giving notice on the redemption to the relevant holder of the Preference Shares or the relevant holder giving written notice of the redemption to the Company (as the case may be) at the Subscription Price per Preference Share on each of the Preference Shares redeemed and any arrears or accruals of the Preferred Dividend due on such Preference Shares, calculated down to the end including the redemption date.

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

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

TBWA UK Group Ltd
Notes to the Financial Statements

18 Reserves

Group

	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2013	848,982	604,445	1,844,918	3,298,345
Reclassification	<u>-</u>	<u>(579,445)</u>	<u>579,445</u>	<u>-</u>
At 1 January 2013 as reclassified	848,982	25,000	2,424,363	3,298,345
Profit for the year	-	-	268,117	268,117
Other reserve movements	<u>-</u>	<u>(24,999)</u>	<u>24,999</u>	<u>-</u>
At 31 December 2013	<u><u>848,982</u></u>	<u><u>1</u></u>	<u><u>2,717,479</u></u>	<u><u>3,566,462</u></u>

Company

	Profit and loss account £
At 1 January 2013	40,202,364
Loss for the year	(630,349)
Dividends	<u>25,877</u>
At 31 December 2013	<u><u>39,597,892</u></u>

TBWA UK Group Ltd
Notes to the Financial Statements

19 Commitments

Group

Annual commitments under non-cancellable operating leases are as follows:

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within 1 year	281,378	35,784	40,582	163,191
2 to 5 years	2,567,685	581,562	3,079,588	329,191
Over 5 years	-	39,444	-	9,037
	<u>2,849,063</u>	<u>656,790</u>	<u>3,120,170</u>	<u>501,419</u>

Company

Annual commitments under non-cancellable operating leases are as follows:

Non cancellable operating leases

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within 1 year	127,500	17,767	-	123,161
2 to 5 years	1,245,000	201,029	1,755,000	127,848
Over 5 years	-	-	-	-
	<u>1,372,500</u>	<u>218,796</u>	<u>1,755,000</u>	<u>251,009</u>

TBWA UK Group Ltd

Notes to the Financial Statements

20 Pension 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 £421,870 (2012 - £398,685).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions totalling £63,615 (2012 - £78,551) were payable to the scheme at the end of the year and are included in creditors.

21 Post balance sheet events

On 1 July, 2014 the Company acquired from AMV BBDO Investments Ltd the entire issued share capital of eg plus worldwide Limited for a consideration of £7,380,160.

On 1 July 2014 the Company contributes its entire interest in E Graphics Limited to eg plus worldwide Limited for the consideration of One A Ordinary Share of £1.00 each in eg plus worldwide Limited. E Graphics Limited transfers its business and net assets to eg plus worldwide Limited via dividend in specie.

22 Ultimate parent company

The Company is a subsidiary undertaking of Omnicom Group Inc. incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by Omnicom Group Inc. The consolidated accounts of this company are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY10022, USA. No other group accounts include the results of the Company.