

Registration number 4332188

TBWA UK Group Ltd

Strategic Report Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2014



TBWA UK Group Ltd

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TBWA UK Group Ltd

Strategic Report for the Year Ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014

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

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

2014 was a year of strong financial recovery following the challenges faced in prior years as indicated by an increase in the operating profit margin excluding amortisation of goodwill from 12.99% to 17.54%. It is expected that this will continue into 2015

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

Discretionary reductions in advertising, marketing and corporate communications services spending by clients are still prevalent 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 are positive therefore stable growth is anticipated for 2015. However, although the economic climate is also positive, it remains volatile and clients' business could be adversely affected which may lead to reductions in client spending

Position of the Group at the year end

At the end of the year the Group had net current assets of £9,117,216 (net current assets in 2013 £3,001,311). 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 2014

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 services business for competitive review from time to time. Accounts have been won and lost in the past as a result of these reviews. To the extent that the business is not able to remain competitive, revenue may be adversely affected, which could then affect the results of operations and financial condition.

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 government action. Any such limitations on the scope of the content of services could affect the ability to meet clients' needs. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system to challenge advertising practices. Such claims by businesses or governmental agencies could have a material adverse effect on results of operations and financial condition in the future.

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

In addition, key personnel could be lost or may not be attracted to the business. Our employees are our most important assets. Our 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. If the business is unable to do so, our 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, which could have a material effect on results 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 2014

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 2014

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 decreased to 57.8% of revenue in 2014 compared to 60.0% in 2013.

Administration expenses are less directly linked to changes in revenue than salary and service costs. Administration expenses, excluding goodwill amortisation decreased to 23.1% of revenue in 2014 compared to 23.9% in 2013, 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 17.99% in 2014 from 13.92% in 2013.

Approved by the Board on 1 July 2015 and signed on its behalf by



G. Smith
Director

TBWA UK Group Ltd

Directors' Report for the Year Ended 31 December 2014

The directors present their report and the consolidated financial statements for the year ended 31 December 2014

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.

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 contributed 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 transferred its business and net assets to eg plus Worldwide Limited via dividend in specie.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014, (2013: £nil).

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 £nil (2013: £12,951). Donations to charities amounted to £5,504 (2013: £10).

Disclosure of information to the auditors

Each director who held office at the date of approval of this directors' report confirms that, so far as they are 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 auditor is aware of that information.

TBWA UK Group Ltd
Directors' Report for the Year Ended 31 December 2014

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 1 July 2015 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 and the
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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 parent company and of their profit and loss for that period. In preparing each of the group and parent company 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 group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 (the Group) for the year ended 31 December 2014 set out on pages 10 to 36. 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 Directors' Responsibility Statement (set out on page 7), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 website 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 2014 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Andrew T

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

15 Canada Square
Canary Wharf
London
E14 5GL

Date 7 JUL 2015

TBWA UK Group Ltd
Consolidated Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £	2013 £
Gross billings		323,781,530	279,504,949
Rebillable costs		<u>(260,999,313)</u>	<u>(219,718,639)</u>
Revenue	2	62,782,217	59,786,310
Direct costs		<u>(729,879)</u>	<u>(1,281,850)</u>
Gross profit		62,052,338	58,504,460
Administrative expenses		<u>(52,098,638)</u>	<u>(56,580,693)</u>
Group operating profit	3	9,953,700	1,923,767
Income from shares in group undertakings		-	302,907
Other interest receivable and similar income	6	680,678	468,035
Amounts written off investments	15	(1,094,000)	-
Interest payable and similar charges	7	<u>(809,926)</u>	<u>(746,713)</u>
Profit on ordinary activities before taxation		8,730,452	1,947,996
Tax on profit on ordinary activities	8	<u>(2,284,690)</u>	<u>(1,679,879)</u>
Profit for the financial year attributable to members of the parent company	18	<u><u>6,445,762</u></u>	<u><u>268,117</u></u>

The results shown above are derived wholly from continuing, discontinued operations and new acquisitions. 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.

Income from shares in group undertakings represents a dividend in specie received from the joint venture Being Hakuodo Ltd upon the closure of the company in 2013.

Amounts written off Investments represents the increase in the Contingent Purchase Price creditor related to the purchase of Mother Tongue Ltd in 2012.

TBWA UK Group Ltd
(Registration number: 4332188)
Consolidated Balance Sheet as at 31 December 2014

	Note	2014	2013
		£	£
Fixed assets			
Intangible assets	9	8,774,041	7,003,902
Tangible assets	10	<u>1,300,962</u>	<u>1,619,536</u>
		10,075,003	8,623,438
Other investments	11	<u>-</u>	<u>1</u>
		10,075,003	8,623,439
Current assets			
Stocks	12	5,838,088	4,982,314
Debtors	13	98,576,684	91,503,586
Cash at bank and in hand		<u>250,477</u>	<u>369,502</u>
		104,665,249	96,855,402
Creditors Amounts falling due within one year	14	<u>(95,548,033)</u>	<u>(93,854,091)</u>
Net current assets		<u>9,117,216</u>	<u>3,001,311</u>
Total assets less current liabilities		19,192,219	11,624,750
Creditors Amounts falling due after more than one year	15	(6,799,591)	(5,647,879)
Provisions for liabilities	16	<u>(2,380,402)</u>	<u>(2,410,406)</u>
Net assets		<u>10,012,226</u>	<u>3,566,465</u>
Capital and reserves			
Called up share capital	17	3	3
Share premium reserve	18	848,982	848,982
Other reserves	18	-	1
Profit and loss account	18	<u>9,163,241</u>	<u>2,717,479</u>
Shareholders' funds		<u>10,012,226</u>	<u>3,566,465</u>

Approved by the Board on 1 July 2015 and signed on its behalf by



G. Smith
Director

TBWA UK Group Ltd
(Registration number: 4332188)
Company Balance Sheet as at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Investments	11	68,938,918	63,552,651
Current assets			
Debtors	13	27,706,803	23,091,981
Creditors Amounts falling due within one year	14	<u>(38,776,682)</u>	<u>(39,108,452)</u>
Net current liabilities		<u>(11,069,879)</u>	<u>(16,016,471)</u>
Total assets less current liabilities		57,869,039	47,536,180
Creditors Amounts falling due after more than one year	15	(6,799,591)	(5,647,879)
Provisions for liabilities	16	<u>(2,142,902)</u>	<u>(2,290,406)</u>
Net assets		<u>48,926,546</u>	<u>39,597,895</u>
Capital and reserves			
Called up share capital	17	3	3
Profit and loss account	18	<u>48,926,543</u>	<u>39,597,892</u>
Shareholders' funds		<u>48,926,546</u>	<u>39,597,895</u>

Approved by the Board on 1 July 2015 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 2014

Group

	2014 £	2013 £
Profit attributable to the members of the Company	6,445,762	268,117
Other reserve movements	<u>(1)</u>	<u>-</u>
Net addition to shareholders funds	6,445,761	268,117
Shareholders' funds at 1 January	<u>3,566,465</u>	<u>3,298,348</u>
Shareholders' funds at 31 December	<u><u>10,012,226</u></u>	<u><u>3,566,465</u></u>

Company

	2014 £	2013 £
Profit/(loss) attributable to the members of the Company	9,328,651	(630,349)
Dividends	<u>-</u>	<u>25,877</u>
Net addition/(reduction) to shareholders funds	9,328,651	(604,472)
Shareholders' funds at 1 January	<u>39,597,895</u>	<u>40,202,367</u>
Shareholders' funds at 31 December	<u><u>48,926,546</u></u>	<u><u>39,597,895</u></u>

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 financial statements

Basis of preparation

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

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 Group has net current assets of £9,117,216 at 31 December 2014 (2013 £3,001,311) 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 £(11,069,879) at 31 December 2014 (2013 £(16,016,471))

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 Group'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 Group 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 Group 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 21

Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to December 31, 2014

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

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 £9,328,651 (2013 - loss of £(630,349))

TBWA UK Group Ltd

Notes to the Financial Statements

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 2014 the Group subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006.

The Group subsidiaries entitled to take the exemption are

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

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

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	Depreciation method and rate
Leasehold improvements	lower of lease or asset life if shorter on a straight line basis
Computer software	33.33% per annum straight line basis
Fixtures, fittings, tools and equipment	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 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.

Stock

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 Group 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

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 Group. 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 Group is arranging for its clients in its capacity as an intermediary. The Group contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the Group 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 Group 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 Group's gross billings, revenue and operating profit for the year related to its principal activity, which was 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 services and providing a full service production facility.

An analysis of revenue by geographical location by destination is given below.

	UK £	Europe £	Rest of World £	Total £
2014				
External turnover	<u>28,352,152</u>	<u>25,167,367</u>	<u>9,262,698</u>	<u>62,782,217</u>
	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>

TBWA UK Group Ltd
Notes to the Financial Statements

3 Operating profit

Operating profit is stated after charging

	2014	2013
	£	£
Depreciation and other assets written off tangible and intangible fixed assets owned	639,419	611,988
Amortisation of goodwill and software	1,078,323	5,841,901
Net exchange losses	118,868	165,509
Profit on sale of tangible fixed assets	(200)	(11,276)
Hire of plant and machinery - rentals payable under operating leases	753,571	600,703
Hire of other assets - rentals payable under operating leases	<u>6,230,714</u>	<u>6,887,085</u>
	2014	2013
	£	£
Audit of the financial statements	<u>138,676</u>	<u>163,578</u>
Fees payable to the company's auditor and its associates for other services:		
Audit-related assurance services	29,272	10,670
Other assurance services	<u>-</u>	<u>16,746</u>
	<u>29,272</u>	<u>27,416</u>

TBWA UK Group Ltd
Notes to the Financial Statements

4 Directors' remuneration

	2014	2013
	£	£
Directors' emoluments	1,574,783	1,676,375
Amounts receivable under long term incentive schemes	175,016	123,906
	<u>1,749,799</u>	<u>1,800,281</u>
Company contributions to money purchase pension schemes	97,886	59,805
Compensation for loss of office	-	153,720
	<u>1,847,685</u>	<u>2,013,806</u>

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

	2014	2013
	No.	No.
Accruing benefits under money purchase pension scheme	<u>5</u>	<u>4</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 £768,686 (2013: £410,452) in respect of unvested restricted share awards to directors.

In respect of the highest paid director

	2014	2013
	£	£
Remuneration	363,058	314,400
Benefits under long-term incentive schemes (excluding shares)	91,295	81,343
Company contributions to money purchase pension schemes	<u>29,867</u>	<u>30,000</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

	2014	2013
	No.	No.
Production	144	87
Administration and support	105	118
Research and development	-	8
Sales, marketing and distribution	1	2
Sales	-	3
Other departments	256	215
	<u>506</u>	<u>433</u>

The aggregate payroll costs were as follows

	2014	2013
	£	£
Wages and salaries	25,414,206	24,392,412
Share related awards	165,028	144,028
Social security costs	3,139,927	2,905,194
Other pension schemes	672,770	425,980
Severance/loss of office	283,394	556,505
	<u>29,675,325</u>	<u>28,424,119</u>

TBWA UK Group Ltd
Notes to the Financial Statements

6 Other interest receivable and similar income

	2014 £	2013 £
Bank interest receivable	64	176
Receivable from group undertakings	680,614	467,859
	<u>680,678</u>	<u>468,035</u>

7 Interest payable and similar charges

	2014 £	2013 £
Payable to group undertakings	131,443	81,264
Interest payable on shares classified as liabilities	580,771	583 153
Other interest payable	97,712	82,296
	<u>809,926</u>	<u>746,713</u>

TBWA UK Group Ltd
Notes to the Financial Statements

8 Taxation

Tax on profit on ordinary activities

	2014	2013
	£	£
Current tax		
Current tax on income for the period	2,080,030	1,480,977
Adjustments in respect of previous years	183,966	(35,776)
Total current tax	<u>2,263,996</u>	<u>1,445,201</u>
Deferred tax		
Origination and reversal of timing differences	(26,552)	124,682
Effect of decreased tax rate on opening liability	25,532	51,946
Adjustment in respect of previous years	21,714	60,622
Deferred tax relating to FRS 19	-	(2,572)
Total deferred tax	<u>20,694</u>	<u>234,678</u>
Total tax on profit on ordinary activities	<u>2,284,690</u>	<u>1,679,879</u>

Factors affecting current tax charge for the year

The current tax charge on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2013 - higher than the standard rate of corporation tax in the UK) of 21.5% (2013 - 23.25%)

The differences are reconciled below

	2014	2013
	£	£
Profit on ordinary activities before tax	<u>8,730,452</u>	<u>1,947,996</u>
Corporation tax at standard rate	1,877,047	452,886
Capital allowances in excess of depreciation	3,972	(29,600)
Other timing differences	48,980	(198,826)
Non-taxable income	-	(82,551)
Expenses not deductible for tax purposes	150,031	161,734
Non-tax deductible amortisation of goodwill and impairment	-	1,177,334
Adjustment for prior periods	183,966	(35,776)
Total current tax	<u>2,263,996</u>	<u>1,445,201</u>

TBWA UK Group Ltd

Notes to the Financial Statements

Accounting periods ending after the substantive enactment of the reduction to 23% and 21%

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) and to 21% (effective from 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was also substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

9 Intangible fixed assets

Group

	Goodwill £	Software £	Total £
Cost			
At 1 January 2014	110,470,153	10,786	110,480,939
Additions	2,776,439	4,026	2,780,465
Transfer in	-	430,271	430,271
At 31 December 2014	<u>113,246,592</u>	<u>445,083</u>	<u>113,691,675</u>
Amortisation			
At 1 January 2014	103,466,341	10,696	103,477,037
Charge for the year	1,055,845	22,478	1,078,323
Transfer in	-	362,274	362,274
At 31 December 2014	<u>104,522,186</u>	<u>395,448</u>	<u>104,917,634</u>
Net book value			
At 31 December 2014	<u>8,724,406</u>	<u>49,635</u>	<u>8,774,041</u>
At 31 December 2013	<u>7,003,812</u>	<u>90</u>	<u>7,003,902</u>

Transfers represent £430,271 of intangible assets cost and £362,274 of accumulated depreciation acquired from egplus Worldwide Limited.

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

The review indicated that the income generating unit's carrying amount exceeded its recoverable amount by £16,675,283 and consequently we have not adjusted 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

Company

	Software £
Cost	
At 1 January 2014	<u>4,000</u>
At 31 December 2014	<u>4,000</u>
Amortisation	
At 1 January 2014	<u>4 000</u>
At 31 December 2014	<u>4 000</u>
Net book value	
At 31 December 2014	<u><u>-</u></u>
At 31 December 2013	<u><u>-</u></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 2014	3,358,013	736,297	91,347	153,261	4,338,918
Additions	75,438	82,811	-	32,124	190,373
Disposals	(781,696)	-	(12,966)	(1,910)	(796,572)
Transfer in	76,073	992,582	-	-	1,068,655
At 31 December 2014	2,727,828	1,811,690	78,381	183,475	4,801,374
Depreciation					
At 1 January 2014	1,870,739	632,493	91,347	124,803	2,719,382
Charge for the year	545,081	65,481	-	28,857	639,419
Disposals	(781,696)	-	(12,966)	(1,488)	(796,150)
Transfer in	76,073	861,688	-	-	937,761
At 31 December 2014	1,710,197	1,559,662	78,381	152,172	3,500,412
Net book value					
At 31 December 2014	1,017,631	252,028	-	31,303	1,300,962
At 31 December 2013	1,487,274	103,804	-	28,458	1,619,536

TBWA UK Group Ltd
Notes to the Financial Statements

Transfers in represent £990,429 of fixtures and fittings cost and £859,535 of accumulated depreciation and also £76,073 of leasehold improvements cost and £76,073 of accumulated depreciation acquired from egplus Worldwide Limited

Included in the cost and depreciation of fixtures and fittings, tools and equipment is a transfer in of £2,153 in each relating to Mother Tongue Ltd to correct the prior year opening balances

Company

	Leasehold improvements £	Total £
Cost		
At 1 January 2014	591,164	591,164
Disposals	<u>(591,164)</u>	<u>(591,164)</u>
At 31 December 2014	<u>-</u>	<u>-</u>
Depreciation		
At 1 January 2014	591,164	591,164
Disposals	<u>(591,164)</u>	<u>(591,164)</u>
At 31 December 2014	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2014	<u>-</u>	<u>-</u>
At 31 December 2013	<u>-</u>	<u>-</u>

TBWA UK Group Ltd
Notes to the Financial Statements

11 Fixed asset investment

Group

**Shares in group
undertakings
£**

Cost

At 1 January 2014

1

Disposals

(1)

At 31 December 2014

-

Provisions

At 31 December 2014

-

Net book value

At 31 December 2014

-

At 31 December 2013

1

TBWA UK Group Ltd
Notes to the Financial Statements

Company

	Shares in group undertakings £	Total £
Cost		
At 1 January 2014	90,723,070	90,723,070
Additions	<u>7,380,160</u>	<u>7,380,160</u>
At 31 December 2014	<u>98,103,230</u>	<u>98,103,230</u>
Provisions		
At 1 January 2014	27,170,419	27,170,419
Provided in year	<u>1,993,893</u>	<u>1,993,893</u>
At 31 December 2014	<u>29,164,312</u>	<u>29,164,312</u>
Net book value		
At 31 December 2014	<u>68,938,918</u>	<u>68,938,918</u>
At 31 December 2013	<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
* 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
* egplus Worldwide Ltd	UK	Equity	100%	Advertising production company
*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.

The investment in Being Hakuodo Ltd was written down in 2013. The remaining £1 investment was written off in 2014 and the Company was struck off on the 13th May 2014.

Staniforth Ltd was struck off on the 9th December 2014.

Subsidiary Exemption

The UK subsidiaries of the Company, 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 2014.

TBWA UK Group Ltd

Notes to the Financial Statements

Impairment of investments / Reversal of impairment of investments

During the year ended 31 December 2014, the directors impaired the Company's investment in TBWA Manchester Limited by £1,993,893. The impairment has been determined as the difference between the investment's carrying value and its net recoverable value. The net recoverable value has been determined using a Discounted Cash Flow Model, with which future cash flows have been projected over a 5 year period and including a terminal value to incorporate expected growth thereafter. The projected cash flows have been discounted by the UK Group's pre-tax WACC rate of 10.7%.

The projected cash flows are estimated based on the Omnicom Inc approved budget for 2015. The cash flow projections for the years 2016 to 2019 assume a growth of between 2.5% to 15% for each year dependent on the individual Company, which reflects management's conservative estimate of the medium term operating performance. The terminal value is calculated using a perpetuity model which assumes a long term growth rate of between 2.5% and 5% dependent on the individual Company and reflects the long term GDP growth forecasts for the region and industry.

TBWA UK Group Ltd
Notes to the Financial Statements

12 Stocks

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Stocks	<u>5,838,088</u>	<u>4,982,314</u>	<u>-</u>	<u>-</u>

13 Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	31,851,060	32,475,532	33,988	27,309
Amounts owed by group undertakings - trading balances	28,255,501	24,956,484	24,018,721	21,956,859
Amounts owed by group undertakings - loans and advances	17,277,108	14,528,070	3,256,340	-
Other debtors	12,707,901	12,311,661	150,169	78,295
Deferred tax asset	566,112	427,576	34,379	43,308
Prepayments and accrued income	<u>7,919,002</u>	<u>6,804,263</u>	<u>213,206</u>	<u>986,210</u>
	<u>98,576,684</u>	<u>91,503,586</u>	<u>27,706,803</u>	<u>23,091,981</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 £17,277,108 (2013 £14,528,070) representing cash deposited by the Company under these arrangements.

TBWA UK Group Ltd
Notes to the Financial Statements

Deferred tax

Analysis of deferred tax

Group

	2014	2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	455,953	401,744
Other timing differences	<u>110,159</u>	<u>25,832</u>
	<u>566,112</u>	<u>427,576</u>

The movement in 2014 deferred tax is made up of the acquisition of a deferred tax debtor from egplus Worldwide Limited of £159,230 less the 2014 P&L movement of £20,694

Company

	2014	2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>34,379</u>	<u>43,308</u>

14 Creditors: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Preference shares classified as liabilities	13,189,505	13,189,499	13,189,505	13,189,499
Payments received on account	4,905,704	4,141,624	-	-
Trade creditors	3,554,695	3,626,792	84,243	246,496
Amounts owed to group undertakings - trading balances	60,334,223	61,274,170	23,851,498	21,758,718
Amounts owed to group undertakings - loans and advances	-	-	-	1,630,350
Taxation and social security	2,726,538	1,846,725	566,588	539,335
Accruals and deferred income	<u>10,837,368</u>	<u>9,775,281</u>	<u>1,084,848</u>	<u>1,744,054</u>
	<u>95,548,033</u>	<u>93,854,091</u>	<u>38,776,682</u>	<u>39,108,452</u>

TBWA UK Group Ltd
Notes to the Financial Statements

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other creditors	<u>6,799,591</u>	<u>5,647,879</u>	<u>6,799,591</u>	<u>5,647,879</u>

Included in the long term creditor is the Contingent Purchase Price of Mother Tongue Ltd which was increased by £1,094,000

16 Provisions

Group

	Other provision
	£
At 1 January 2014	2,410,406
Utilised during the period	(147,504)
Charged to the profit and loss account	93,626
Additional amounts provided	<u>23,874</u>
At 31 December 2014	<u>2,380,402</u>

Company

	Other provision
	£
At 1 January 2014	2,290,406
Utilised during the period	<u>(147,504)</u>
At 31 December 2014	<u>2,142,902</u>

TBWA UK Group Ltd
Notes to the Financial Statements

17 Share capital

Allotted, called up and fully paid shares

	2014		2013	
	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 2014	848,982	1	2,717,479	3,566,462
Profit for the year	-	-	6,445,762	6,445,762
Other reserve movements	-	(1)	-	(1)
At 31 December 2014	<u>848,982</u>	<u>-</u>	<u>9,163,241</u>	<u>10,012,223</u>

Company

	Profit and loss account £
At 1 January 2014	39,597,892
Profit for the year	<u>9,328,651</u>
At 31 December 2014	<u>48,926,543</u>

19 Commitments

Group

Annual commitments under non-cancellable operating leases are as follows

	2014		2013	
	Land and buildings £	Other £	Land and buildings £	Other £
Within 1 year	1,267,920	154,501	281,378	35,784
2 to 5 years	965,044	576,730	2,567,685	581,562
Over 5 years	-	49,918	-	39,444
	<u>2,232,964</u>	<u>781,149</u>	<u>2,849,063</u>	<u>656,790</u>

TBWA UK Group Ltd
Notes to the Financial Statements

Company

Annual commitments under non-cancellable operating leases are as follows

Non cancellable operating leases

	2014		2013	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within 1 year	395,000	83,683	127,500	17,767
2 to 5 years	850,000	166,116	1,245,000	201,029
Over 5 years	-	-	-	-
	<u>1,245,000</u>	<u>249,799</u>	<u>1,372,500</u>	<u>218,796</u>

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 £672,770 (2013: £421,870).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions totalling £104,463 (2013: £70,086) were payable to the scheme at the end of the year and are included in creditors.

21 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, NY 10022, USA. No other group accounts include the results of the Company.