

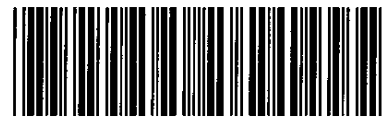
Registration number: 4332188

# TBWA UK Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018

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## **TBWA UK Group Ltd**

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## **TBWA UK Group Ltd**

### **Strategic Report for the year ended 31 December 2018**

The directors present their strategic report for the year ended 31 December 2018.

The purpose of this strategic report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company).

#### **Business Reorganisation**

On 28 December 2018, the Company acquired the business and assets of Mother Tongue Inc. via a Sale and Purchase agreement, for a consideration of £1.00 and Mother Tongue Inc. was dissolved on 22 January 2019.

On 24 July 2019, TBWA\Manchester Limited, register company number 2160991 changed its name to TBWA\MCR Limited.

#### **Fair review of the business**

Good financial performance was maintained in 2018 as indicated by a stable operating profit margin, excluding amortisation and impairment of goodwill, of 9.77% (2017: 10.45%). Turnover growth increased by 2.66% (2017: decreased 12.98%).

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

At the end of the year the Group had net current assets of £23,133,783 (2017: £19,322,769). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out in note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

The key performance indicators reviewed focus on turnover, operating profit margin and administrative expenses excluding goodwill amortisation.

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

Staff costs are primarily comprised of employee compensation and related costs including freelance compensation and direct service costs. As the Group is a service business, these costs are monitored on a percentage of turnover basis. Staff costs tend to fluctuate in conjunction with changes in turnover, whereas administrative expenses, which are not directly related to servicing clients, tend to decrease as a percentage of turnover as turnover increases because a significant portion of these expenses are relatively fixed in nature. During 2018, staff costs as a percentage of turnover of 63.32% was in line with 2017.

Office and administrative expenses are primarily comprised of rent and occupancy costs, technology related costs and depreciation and lease costs. During the year office and administration expenses excluding goodwill amortisation and impairment increased as a percentage of turnover at 26% compared to 25% in 2017.

## **TBWA UK Group Ltd**

### **Strategic Report for the year ended 31 December 2018**

	<b>Unit</b>	<b>2018</b>	<b>2017</b>
Staff costs as a % of turnover	%	63.32	63.90
Office and admin expenses (excluding goodwill amortisation) as % of turnover	%	26.00	25.00
Operating margin (excluding goodwill amortisation and impairment)	%	9.77	10.45

#### **Principal risks and uncertainties**

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

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

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

Government agencies and consumer groups have directly or indirectly from time to time affected or attempted to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, through regulations or other governmental action. Any such limitations on the scope of the content of services could affect the ability to meet clients needs. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system to challenge advertising practices. Such claims by businesses or governmental agencies could have a material adverse effect on results of operations and financial position in the future.

We rely on information technology systems and infrastructure to process transactions, summarise results and manage our business, including maintaining client marketing and advertising information. Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. Likewise, data security incidents and breaches by employees and others with or without permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorised persons or to the public. Additionally, we utilise third parties, including cloud providers, to store, transfer or process data. While we have taken what we believe are prudent measures to protect our data and information technology systems, there can be no absolute assurance that our efforts will prevent system failures or network disruptions or breaches in our systems, or in systems of third parties we use, that could adversely affect our reputation or business.

## **TBWA UK Group Ltd**

### **Strategic Report for the year ended 31 December 2018**

Global economic conditions have a direct impact on our business and financial performance. In particular, current global economic conditions pose a risk that our clients may reduce future spending on advertising and marketing services which could reduce the demand for our services. If domestic or global economic conditions worsen or do not improve, our results of operations and financial position could be adversely affected. We will continue to closely monitor economic conditions, client turnover levels and other factors and, in response to reductions in our client turnover, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future economic conditions, reductions in our client turnover, changes in client creditworthiness and other developments will be effective.

Global economic uncertainty, turmoil in the credit markets or a contraction in the availability of credit may make it more difficult for businesses, including us, to meet their working capital requirements and could lead clients to seek to change their financial relationship with their vendors including us. This could cause our clients to reduce spending on our services, delay the payment for our services or take additional actions that would negatively affect our working capital. We may need to obtain additional financing to fund our day-to-day working capital requirements in such circumstance. There is no assurance that such additional financing would be available on favourable terms, if at all. Such circumstances could have a material effect on our results of operations and financial position.

Government or legislative action may limit the tax deductibility of advertising expenditures by certain industries or for certain products or services. These actions could cause our clients affected by such actions to reduce their spending on our services which could have a material adverse effect on our results of operations and financial position. Further laws and regulations, related to user privacy, use of personal information and internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of new communications technologies and the use of current communications as advertising mediums. These actions could affect our business and reduce demand for certain services, which could have a material adverse effect on our results of operations and financial position.

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

Approved by the Board on 30 September 2019 and signed on its behalf by:



.....  
G. Smith  
Director

## **TBWA UK Group Ltd**

### **Directors' Report for the year ended 31 December 2018**

The directors present their report and the for the year ended 31 December 2018.

#### **Principal activity**

The principal activity of the Company is that of a holding Company for companies providing advertising and marketing services including healthcare advertising and consultancy, the provision of translation services, developing digital solutions, the provision of relationship marketing activities and providing a full service production facility. The holding company provides management and administration services to these subsidiaries.

#### **Post Balance Sheet Events**

On 17 May 2019, the Company received a dividend from LGTBWA Ltd of £995,585

#### **Dividends**

The directors do not recommend the payment of a dividend in respect of the period ended 31 December 2018. (2017: £Nil).

#### **Directors of the Group**

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

G. Smith

P. Brett

#### **Political and charitable donations**

During the year the Group made political donations of £nil (2017: £nil). Donations to charity amounted to £9,349 (2017: £3,041).

## **TBWA UK Group Ltd**

### **Directors' Report for the year ended 31 December 2018**

#### **Employment of disabled persons**

TBWA UK Group Ltd is committed to being an equal opportunities employer and opposes all forms of unlawful discrimination. Our objective is to have a diverse workforce.

The Group believes that individuals should be treated on their merits and that employment-related decisions should be based on objective job-related criteria such as aptitude and skills.

It is our policy that all employees should have equal opportunities for promotion and training. The Group trains and develops its staff in close relationship with various training organisations. The Group recognises the need to ensure effective communication with employees.

Senior management are regularly informed of group development in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with employees as appropriate. The Group believes in promoting where possible from within the organisation on the basis of ability and merit.

Full and fair consideration is given to applications for employment of disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for the appropriate training, career development and promotion of disabled persons.

#### **Disclosure of information to the auditor**

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

#### **Reappointment of auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 30 September 2019 and signed on its behalf by:



.....  
G. Smith  
Director

Bankside 3  
90-100 Soutwark Street  
London  
SE1 0SW

## **TBWA UK Group Ltd**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, 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 the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Company 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



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

### **Opinion**

We have audited the financial statements of TBWA UK Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements.

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

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

### **Strategic Report and Directors' Report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic Report, the 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; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

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



.....  
Jeremy Hall (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

30 September 2019

## TBWA UK Group Ltd

### Consolidated Profit and Loss Account for the year ended 31 December 2018

	Note	2018 £	2017 £
Gross billings		98,152,391	115,542,631
Rebillable costs		<u>(34,434,735)</u>	<u>(53,476,775)</u>
Turnover	2	63,717,656	62,065,856
Direct costs		<u>(469,559)</u>	<u>(710,108)</u>
Gross profit		63,248,097	61,355,748
Administrative expenses		(60,871,659)	(58,718,327)
Other operating income		<u>94,850</u>	<u>290,169</u>
Operating profit	3	<u>2,471,288</u>	<u>2,927,590</u>
Goodwill impairment		(5,027,805)	-
Other interest receivable and similar income	7	73,645	131,009
Gain/(loss) on disposal of fixed asset investments		(1)	201,222
Interest payable and similar expenses	8	<u>(149,953)</u>	<u>(264,033)</u>
		<u>(5,104,114)</u>	<u>68,198</u>
(Loss)/profit before taxation		(2,632,826)	2,995,788
Tax on profit	9	<u>(1,202,943)</u>	<u>(643,137)</u>
(Loss)/profit after taxation		<u>(3,835,769)</u>	<u>2,352,651</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		(4,122,435)	2,138,307
Non-controlling interests		<u>286,666</u>	<u>214,344</u>
		<u>(3,835,769)</u>	<u>2,352,651</u>

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

**TBWA UK Group Ltd**  
**(Registration number: 4332188)**  
**Consolidated Balance Sheet as at 31 December 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	10	18,305,676	27,925,224
Tangible assets	11	<u>2,110,057</u>	<u>1,873,644</u>
		<u>20,415,733</u>	<u>29,798,868</u>
<b>Current assets</b>			
Stocks	13	8,139,866	3,870,320
Debtors	14	62,022,573	72,514,071
Cash at bank and in hand		<u>9,721</u>	<u>916,262</u>
		70,172,160	77,300,653
Creditors: Amounts falling due within one year	15	<u>(47,038,377)</u>	<u>(57,977,884)</u>
Net current assets		<u>23,133,783</u>	<u>19,322,769</u>
Total assets less current liabilities		43,549,516	49,121,637
Creditors: Amounts falling due after more than one year	15	(5,333,931)	(5,864,648)
Provisions for liabilities	16	<u>(960,175)</u>	<u>(1,688,292)</u>
Net assets		<u>37,255,410</u>	<u>41,568,697</u>
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Capital contribution reserve		4,875,384	4,875,384
Retained earnings		<u>31,574,618</u>	<u>35,960,815</u>
Equity attributable to owners of the company		36,450,005	40,836,202
Non-controlling interests		<u>805,405</u>	<u>732,495</u>
Total equity		<u>37,255,410</u>	<u>41,568,697</u>

Approved and authorised by the Board on 30 September 2019 and signed on its behalf by:



.....  
G. Smith  
Director

**TBWA UK Group Ltd**

(Registration number: 4332188)

**Company Balance Sheet as at 31 December 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets		-	3,158
Tangible assets		455,135	473,147
Investments	12	<u>78,762,249</u>	<u>83,790,054</u>
		<u>79,217,384</u>	<u>84,266,359</u>
<b>Current assets</b>			
Stocks	13	4,042,270	2,519,784
Debtors	14	<u>24,294,310</u>	<u>47,976,963</u>
		28,336,580	50,496,747
Creditors: Amounts falling due within one year	15	<u>(27,057,517)</u>	<u>(49,909,133)</u>
Net current assets		<u>1,279,063</u>	<u>587,614</u>
Total assets less current liabilities		80,496,447	84,853,973
Creditors: Amounts falling due after more than one year	15	(495,369)	(597,184)
Provisions for liabilities	16	<u>(688,133)</u>	<u>(1,369,633)</u>
Net assets		<u>79,312,945</u>	<u>82,887,156</u>
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Share premium account		7,436,095	7,436,095
Capital contribution reserve		4,875,384	4,875,384
Retained earnings		<u>67,001,463</u>	<u>70,575,674</u>
Total equity		<u>79,312,945</u>	<u>82,887,156</u>

The Company made a loss after tax for the financial year of £3,312,561 (2017 - profit of £16,000,455).

The Company's operating profit before the impairment charge was £1,226,954 (2017: loss of £2,383,968).

The notes on pages 18 to 45 form an integral part of these financial statements.

**TBWA UK Group Ltd**  
**(Registration number: 4332188)**  
**Company Balance Sheet as at 31 December 2018**

Approved and authorised by the Board on 30 September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G. Smith', written over a dotted line.

G. Smith  
Director

**TBWA UK Group Ltd**

**Consolidated Statement of Changes in Equity for the year ended 31 December 2018**

	Share capital £	Capital contribution reserve £	Retained earnings £	Equity attributable to the owners of the Company £	Non-controlling interests £	Total £
At 1 January 2018	3	4,875,384	35,960,815	40,836,202	732,495	41,568,697
(Loss)/profit for the year	-	-	(4,122,435)	(4,122,435)	286,666	(3,835,769)
Total comprehensive income	-	-	(4,122,435)	(4,122,435)	286,666	(3,835,769)
Dividends	-	-	-	-	(213,756)	(213,756)
Share-based payments expense	-	-	(263,762)	(263,762)	-	(263,762)
At 31 December 2018	3	4,875,384	31,574,618	36,450,005	805,405	37,255,410
				Equity attributable to the owners of the Company £	Non-controlling interest £	Total £
At 1 January 2017	3	1,358,262	34,196,457	35,554,722	-	35,554,722
Profit for the year	-	-	2,138,307	2,138,307	214,344	2,352,651
Total comprehensive income	-	-	2,138,307	2,138,307	214,344	2,352,651
Non-controlling interest arising on acquisition	-	-	-	-	518,151	518,151
Share-based payments expense	-	-	(172,726)	(172,726)	-	(172,726)
Capital contribution	-	3,517,122	-	3,517,122	-	3,517,122
Other reserve movements	-	-	(201,223)	(201,223)	-	(201,223)
At 31 December 2017	3	4,875,384	35,960,815	40,836,202	732,495	41,568,697

The notes on pages 18 to 45 form an integral part of these financial statements.  
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**TBWA UK Group Ltd**

**Statement of Changes in Equity for the year ended 31 December 2018**

	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2018	3	7,436,095	4,875,384	70,575,674	82,887,156
Loss for the year	-	-	-	(3,312,561)	(3,312,561)
Total comprehensive income	-	-	-	(3,312,561)	(3,312,561)
Share-based payments expense	-	-	-	(261,650)	(261,650)
At 31 December 2018	3	7,436,095	4,875,384	67,001,463	79,312,945
			Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2017	3	-	1,358,262	54,747,945	56,106,210
Profit for the year	-	-	-	16,000,455	16,000,455
Total comprehensive income	-	-	-	16,000,455	16,000,455
Share-based payments expense	-	-	-	(172,726)	(172,726)
Premium on share issues, less expenses	-	7,436,095	-	-	7,436,095
Capital contribution	-	-	3,517,122	-	3,517,122
At 31 December 2017	3	7,436,095	4,875,384	70,575,674	82,887,156

The notes on pages 18 to 45 form an integral part of these financial statements.  
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## TBWA UK Group Ltd

### Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(3,835,769)	2,352,651
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	4,618,421	4,115,341
Profit on disposal of tangible assets		(1)	(2,549)
Loss/(profit) from disposals of investments		1	(201,222)
Interest receivable and similar income	7	(73,645)	(131,009)
Interest payable and similar charges	8	149,953	264,033
Share based payment expenses		470,556	222,500
Income tax expense	9	1,202,943	643,137
Goodwill impairment		5,027,805	-
Dilapidation provision		(94,850)	-
		<u>7,465,414</u>	<u>7,262,882</u>
Working capital adjustments			
Increase in stocks	13	(4,269,546)	(186,065)
Decrease in trade debtors	14	15,881,484	55,274,566
Decrease in trade creditors	15	(14,728,678)	(47,666,880)
(Decrease)/increase in provisions	16	(681,500)	14,189
		<u>3,667,174</u>	<u>14,698,692</u>
Cash generated from operations			
Income taxes paid	9	(1,468,280)	(2,528,455)
Net cash flow from operating activities		<u>2,198,894</u>	<u>12,170,237</u>
<b>Cash flows from investing activities</b>			
Interest received		73,645	131,009
Acquisitions of tangible assets		(990,676)	(1,226,129)
Proceeds from sale of tangible assets		96,907	6,300
Acquisition of intangible assets	10	(3,805)	(35,768)
Acquisition of subsidiary, net of cash acquired		-	(15,558,313)
(Increase)/decrease in Contingent Purchase Price Liability		101,501	(3,072,320)
Long term liabilities - Capital Leases		168,356	686,343
Goodwill revaluation		(634,484)	-
Net cash flows from investing activities		<u>(1,188,556)</u>	<u>(19,068,878)</u>

The notes on pages 18 to 45 form an integral part of these financial statements.

# **TBWA UK Group Ltd**

## **Consolidated Statement of Cash Flows for the year ended 31 December 2018**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Cash flows from financing activities</b>			
Interest paid		(149,954)	(141,440)
Dividends paid		(213,756)	-
Loans to group undertakings		<u>(1,553,169)</u>	<u>7,937,402</u>
Net cash flows from financing activities		<u>(1,916,879)</u>	<u>7,795,962</u>
Net (decrease)/increase in cash and cash equivalents		(906,541)	897,321
Cash and cash equivalents at 1 January		<u>916,262</u>	<u>18,941</u>
Cash and cash equivalents at 31 December		<u><u>9,721</u></u>	<u><u>916,262</u></u>

The notes on pages 18 to 45 form an integral part of these financial statements.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **1 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's financial statements.

##### **Basis of preparation**

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

The Company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The financial statements are presented in sterling the Company's functional currency.

The financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The Group has net current assets of £23,133,783 at 31 December 2018 (2017: £19,322,769). The directors consider that the Group has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis. The Company has net current assets of £1,279,063 at 31 December 2018 (2017: net current assets £587,614).

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited and Omnicom Financial Services Limited, the Group's UK treasury operations, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. The Company's access to borrowings under the cash concentration arrangement is not limited as long as these borrowings are required in the normal course of business and are made in accordance with the Omnicom Group Inc. Grant of Authority.

Omnicom Finance Limited, is able to make this commitment because Omnicom Finance Limited is a co-borrower with Omnicom Finance Inc. and Omnicom Capital Inc. under certain group bank facilities which are more fully described in the Omnicom Group Inc. financial statements filed on Form 10-K and available at [www.OmnicomGroup.com](http://www.OmnicomGroup.com).

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

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

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

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures for the parent company financial statements only:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Omnicom Group Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Related party transactions: As a 100% owned subsidiary of Omnicom Group Inc. the Company has taken advantage of the exemption available under FRS 102 Section 33. 1A: Related Party Disclosures, which enable it to exclude disclosure of transactions with Omnicom Group Inc., and its wholly owned subsidiaries.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Going concern**

The Group has net current assets of £23,133,783 at 31 December 2018 (2017: £19,322,769). The Company has net current assets of £1,279,063 at 31 December 2018 (2017: £587,614).

The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis.

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited and Omnicom Financial Services Limited, the Group's UK treasury operations, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. The Company's access to borrowings under the cash concentration arrangement is not limited as long as these borrowings are required in the normal course of business and are made in accordance with the Omnicom Group Inc. Grant of Authority.

Omnicom Finance Limited, is able to make this commitment because Omnicom Finance Limited is a co-borrower with Omnicom Finance Inc. and Omnicom Capital Inc. under certain group bank facilities which are more fully described in the Omnicom Group Inc. financial statements filed on Form 10-K and available at [www.OmnicomGroup.com](http://www.OmnicomGroup.com).

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

#### **Key sources of estimation uncertainty**

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

The Group acquired Lucky Generals Ltd and the newly formed TBWA\London Ltd in 2017. The contingent purchase price provision to be paid in 2022 has been updated during the year 2018. It is discounted to present value on acquisition using a discount rate of 2.11% based on adjusted US treasury yield curve rate. The provision is based on assumptions made regarding expected revenue growth rate in each year of 20% and growth in EBIT margin of 17.2% growing to 24%.

Impairment review of goodwill for all income generating units, set out in note 10 are conducted by comparing the net book value of each subsidiary to the net present value of the discounted cashflows, using the Omnicom discounted cash flow model.

The period before a steady or declining long-term growth rate that has been assumed is 10 years for Mother Tongue Ltd and Lucky Generals Ltd and 5 years for Egplus Worldwide Ltd. All other goodwill held has been fully amortised at the year end. The carrying amount of goodwill is £16,849,304 (2017: £26,266,322).

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Gross Billings**

Gross billings are recognised when the service is performed, in accordance with the terms and conditions of the contractual arrangement and when collection is reasonably assured.

Gross billings comprise of the gross amounts billed to clients in respect of commission based income together with the total of other fees earned and amounts recharged to clients for rebillable costs.

#### **Rebillable costs**

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

#### **Turnover**

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

#### **Tax**

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

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

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

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

#### **Foreign currency transactions and balances**

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

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.



## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

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

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets.

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

#### **Amortisation**

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

<b>Asset class</b>	<b>Amortisation method and rate</b>
Goodwill	over 5-10 years on a straight line basis
Computer software	33.33% per annum straight line basis
Customer relationships	over 8 years on a straight line basis
Trade Name	over 10 years on a straight line basis

#### **Goodwill**

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Intangible assets**

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

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Trade debtors**

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

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

#### **Fixed asset investments**

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

#### **Stocks**

Work in progress is stated at the lower of cost and net realisable value. Cost consists of direct expenses incurred on unbilled work. Net realisable value is based on estimated sales value less further costs to completion. Work in progress consists of amounts spent by the Company and its subsidiaries on behalf of its clients which have not been recharged to clients by the end of the year.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

#### **Provisions**

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

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

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Defined contribution pension obligation**

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

#### **Share based payments**

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## **2 Turnover**

The whole of the Group's gross billings, turnover and operating profit for the year related to its principal activities, which consists of subsidiaries of the holding company TBWA UK Group Ltd. providing advertising and marketing services including healthcare advertising and consultancy, the provision of translation services, developing digital solutions, the provision of advertising marketing services and providing a full service production facility.

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
UK	35,464,983	31,309,157
Europe	17,813,163	19,330,074
Rest of world	10,439,510	11,426,625
	<u>63,717,656</u>	<u>62,065,856</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 3 Operating profit

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation on tangible fixed assets: owned	616,279	441,950
Amortisation of concessions	218,376	181,980
Amortisation of software and goodwill	3,783,766	3,387,568
Foreign exchange (gains) / losses	(40,466)	147,356
Profit on disposal of property, plant and equipment	(1)	(2,549)
Operating lease expense - property	813,431	1,298,614
Hire of plant and machinery - rentals payable under operating leases	278,501	327,546
Hire of other assets - rentals payable under operating leases	4,444,903	5,144,439
Rental income	<u>(364,986)</u>	<u>(2,437,946)</u>

#### 4 Auditor's remuneration

	2018 £	2017 £
Audit of these financial statements	<u>186,291</u>	<u>175,170</u>
<b>Other fees to auditor</b>		
Audit-related assurance services	<u>50,009</u>	<u>50,009</u>

#### 5 Directors' remuneration

	2018 £	2017 £
Directors' emoluments	1,141,092	432,790
Amounts receivable under long term incentive schemes	286,856	28,360
	<u>1,427,948</u>	<u>461,150</u>
Company contributions to money purchase pension schemes	29,529	19,220
	<u>1,457,477</u>	<u>480,370</u>

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

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

In respect of the highest paid director:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Remuneration	950,158	196,101
Benefits under long-term incentive schemes (excluding shares)	260,410	28,277
Company contributions to money purchase pension schemes	<u>11,880</u>	<u>18,500</u>

Of the total remuneration in 2018, an amount of £140,273 is related to 2017 bonus.

The Group's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking. Shares were received or receivable under this restricted share scheme by 2 directors (2017: 2)

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

Directors are considered to be Key Management Personnel.

#### 6 Staff costs

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	28,383,463	27,389,989
Share related awards	175,801	222,500
Social security costs	3,419,294	3,345,462
Pension and other post-employment benefit costs	938,469	818,041
Severance/loss of office	<u>483,909</u>	<u>1,561,093</u>
	<u><b>33,400,936</b></u>	<u><b>33,337,085</b></u>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Production	203	193
Administration and support	66	77
Other departments	<u>262</u>	<u>256</u>
	<u><b>531</b></u>	<u><b>526</b></u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 7 Other interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	-	592
Receivable from group undertakings	<u>73,645</u>	<u>130,417</u>
	<u>73,645</u>	<u>131,009</u>

#### 8 Interest payable and similar expenses

	2018 £	2017 £
Payable to group undertakings	18,564	38,891
Other interest payable	101,500	210,618
Finance charges payable in respect of finance leases and hire purchase contracts	<u>29,889</u>	<u>14,524</u>
	<u>149,953</u>	<u>264,033</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 9 Taxation

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

	2018 £	2017 £
<b>Current taxation</b>		
Current tax on income for the period	772,425	568,818
Adjustments in respect of previous periods	26,907	(235,495)
	<u>799,332</u>	<u>333,323</u>
Current foreign tax on income for the period	406,798	293,349
Foreign tax adjustment to prior periods	-	28,259
	<u>406,798</u>	<u>321,608</u>
Total current income tax	<u>1,206,130</u>	<u>654,931</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(31,599)	(89,716)
Effect of increased/decreased tax rate on opening liability	(1,041)	6,342
Adjustment in respect of previous periods	29,453	71,580
	<u>(3,187)</u>	<u>(11,794)</u>
Total deferred taxation	<u>(3,187)</u>	<u>(11,794)</u>
Tax expense in the profit and loss account	<u>1,202,943</u>	<u>643,137</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
(Loss)/profit before tax	<u>(2,632,826)</u>	<u>2,995,788</u>
Corporation tax at standard rate	(500,256)	576,689
Effect of revenues exempt from taxation	188,005	-
Effect of expense not deductible in determining taxable profit (tax loss)	1,224,835	74,873
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(1,041)	6,342
Increase in UK deferred tax from a prior period	29,453	71,580
Increase/(decrease) in UK current tax from a prior period	26,907	(235,495)
Tax increase from other short-term timing differences	235,040	149,148
Total tax charge	<u>1,202,943</u>	<u>643,137</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

#### Deferred tax

##### Group

Deferred tax assets and liabilities

	Asset £	Liability £
<b>2018</b>		
Difference between accumulated depreciation and capital allowances	220,567	(272,042)
Other timing differences	96,798	-
	<u>317,365</u>	<u>(272,042)</u>

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

##### Company

Deferred tax assets and liabilities

	Asset £
<b>2018</b>	
Difference between accumulated depreciation and capital allowances	122,882
Other timing differences	23,262
	<u>146,144</u>

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



## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 10 Intangible assets

##### Group

	Goodwill £	Software £	Concessions, patents, licenses, trademarks and similar rights and assets £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	80,145,615	479,153	1,813,000	82,437,768
Additions	-	3,805	-	3,805
Revaluation	(634,484)	-	-	(634,484)
Impairment provision	(5,027,805)	-	-	(5,027,805)
Transfers	-	41,078	-	41,078
At 31 December 2018	<u>74,483,326</u>	<u>524,036</u>	<u>1,813,000</u>	<u>76,820,362</u>
<b>Amortisation</b>				
At 1 January 2018	53,879,293	451,271	181,980	54,512,544
Amortisation charge	<u>3,754,729</u>	<u>29,037</u>	<u>218,376</u>	<u>4,002,142</u>
At 31 December 2018	<u>57,634,022</u>	<u>480,308</u>	<u>400,356</u>	<u>58,514,686</u>
<b>Carrying amount</b>				
At 31 December 2018	<u>16,849,304</u>	<u>43,728</u>	<u>1,412,644</u>	<u>18,305,676</u>
At 31 December 2017	<u>26,266,322</u>	<u>27,882</u>	<u>1,631,020</u>	<u>27,925,224</u>

The revaluation to Goodwill of £634,484 represents the decrease in Contingent Purchase Price Liability and Put Options related to acquisition in 2017 of Lucky Generals Ltd by LG\TBWA Ltd.

A software asset amounting to £41,078 was transferred to intangible assets as it was classified as a tangible asset in Mother Tongue Ltd. in the prior year. No depreciation charge related to this asset was recognised in 2017.

During the year the directors conducted an impairment review of goodwill by comparing the net book value of each subsidiary to the net present value of the discounted cash flows, using the Omnicom Discounted Cash Flow Model.

The review indicated there was a substantial reduction in TBWA\MRC Limited's activity (formerly TBWA\Manchester Limited). Consequently, an impairment loss amounting to £5,027,805 has been recognised against the goodwill.

# **TBWA UK Group Ltd**

## **Notes to the Financial Statements for the year ended 31 December 2018**

### **Company**

	<b>Software £</b>
<b>Cost or valuation</b>	
At 1 January 2018	<u>9,000</u>
At 31 December 2018	<u>9,000</u>
<b>Amortisation</b>	
At 1 January 2018	5,842
Amortisation charge	<u>3,158</u>
At 31 December 2018	<u>9,000</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>3,158</u>

**TBWA UK Group Ltd**

**Notes to the Financial Statements for the year ended 31 December 2018**

**11 Tangible fixed assets**

<b>Group</b>	<b>Leasehold improvements £</b>	<b>Furniture, fittings and equipment £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2018	2,690,421	2,139,585	1,200,170	6,030,176
Additions	443,695	99,070	447,911	990,676
Disposals	(2,029,075)	(63,835)	(67,018)	(2,159,928)
Transfers	-	(1,779,818)	1,738,740	(41,078)
At 31 December 2018	<u>1,105,041</u>	<u>395,002</u>	<u>3,319,803</u>	<u>4,819,846</u>
<b>Depreciation</b>				
At 1 January 2018	2,082,927	1,695,069	378,536	4,156,532
Charge for the year	164,254	50,167	401,858	616,279
Disposals	(1,932,169)	(63,835)	(67,018)	(2,063,022)
Transfers	-	(1,415,345)	1,415,345	-
At 31 December 2018	<u>315,012</u>	<u>266,056</u>	<u>2,128,721</u>	<u>2,709,789</u>
<b>Carrying amount</b>				
At 31 December 2018	<u>790,029</u>	<u>128,946</u>	<u>1,191,082</u>	<u>2,110,057</u>
At 31 December 2017	<u>607,494</u>	<u>444,516</u>	<u>821,634</u>	<u>1,873,644</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

During the year 2018, the Company TBWA UK Group Ltd disposed of the remaining unamortised leasehold assets equivalent to £96,906 to Cardinia Real Estate Limited.

The software amounting to £41,078 was transferred to intangible assets as it was classified as a tangible asset in Mother Tongue Ltd. in the prior year. No depreciation was charged on this asset in prior year.

#### **Assets held under finance leases and hire purchase contracts**

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

2018	2017
£	£
956,763	754,301

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 12 Fixed assets investments

##### Company

Subsidiaries	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2018	112,618,366
<b>Provision for impairment</b>	
At 1 January 2018	28,828,312
Provided in year	<u>5,027,805</u>
At 31 December 2018	<u>33,856,117</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>78,762,249</u>
At 31 December 2017	<u>83,790,054</u>

During the year ended 31 December 2018, the directors conducted an impairment review of its investments by comparing the carrying value of the investment to the net present value of the discounted cash flows, applying the Omnicom Discounted Cash Flow Model, using a pre-tax WACC rate of 11.1%. Following a substantial reduction in activity in TBWA\MCR Limited (formerly TBWA\Manchester Limited), an impairment loss amounting to £5,027,805 has been recognised against the investment in this entity.

The projected cash flows are estimated based on the Omnicom Inc. approved budget for 2018. The cash flow projections for the years 2019-2024 assume a growth rate of between 2.5% to 20% for each, which reflects the directors' estimate of the medium term operating performance. The terminal value is calculated using a perpetuity model which assumes a long term growth rate of 2.5% and reflects the long term GDP growth forecasts for the region and industry.

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

#### 13 Stocks

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Work in progress	<u>8,139,866</u>	<u>3,870,320</u>	<u>4,042,270</u>	<u>2,519,784</u>

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 14 Debtors

	Note	Group		Company	
		2018 £	2017 £	2018 £	2017 £
Trade debtors		11,172,658	8,248,413	1,052,243	207,162
Amounts owed by group undertakings - trading balances		18,116,003	38,776,507	12,419,213	41,150,820
Amounts owed by group undertakings - loans and advances		22,957,813	17,287,669	8,757,825	4,481,026
Taxation and social security		49,284	-	-	-
Other debtors		3,832,615	3,334,473	1,255,391	1,017,317
Deferred tax assets	9	317,365	360,795	146,144	282,407
Prepayments and accrued income		5,576,835	4,506,214	663,494	838,231
		<u>62,022,573</u>	<u>72,514,071</u>	<u>24,294,310</u>	<u>47,976,963</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited and Omnicom Financial Services Limited, the Omnicom Europe Limited Group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. Included in "Amounts owed by group undertakings - loans and advances" is £22,957,813 (2017: £17,287,669) representing cash deposited by the Group under these arrangements. Included in "Amounts owed by group undertakings - loans and advances" is £8,757,825 (2017: £4,481,026) representing cash deposited by the Company under these arrangements.

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 15 Creditors

Note	Group		Company	
	2018 £	2017 £	2018 £	2017 £
<b>Due within one year</b>				
Obligations under finance lease and hire purchase contracts	269,065	176,011	112,600	77,051
Trade creditors	1,572,915	4,423,088	330,301	1,770,900
Amounts owed to group undertakings - trading balances	14,354,919	35,635,957	11,273,987	41,519,130
Amounts owed to group undertakings - loans and advances	4,392,643	275,671	3,403,091	-
Taxation and social security	4,385,768	3,897,292	1,252,359	1,545,661
Accruals and deferred income	22,063,067	13,569,865	10,685,179	4,996,391
	<u>47,038,377</u>	<u>57,977,884</u>	<u>27,057,517</u>	<u>49,909,133</u>
<b>Due after one year</b>				
Obligations under finance lease and hire purchase contracts	748,248	579,893	333,651	269,377
Other creditors	4,585,683	5,284,755	161,718	327,807
	<u>5,333,931</u>	<u>5,864,648</u>	<u>495,369</u>	<u>597,184</u>

The Group participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited and Omnicom Financial Services Limited or by Omnicom Finance Limited and Omnicom Financial Services Limited depositing cash with the Company. Included in "Amounts owed by group undertakings - loans and advances" is £4,392,643 (2017: £275,671) representing cash deposited by the Group under these arrangements. Included in "Amounts owed by group undertakings - loans and advances" is £3,403,091 (2017: £Nil) representing cash deposited by the Company under these arrangements.

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

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 16 Provisions

##### Group

	Deferred tax £	Other provisions £
At 1 January 2018	318,659	1,369,633
Decrease in existing provisions	<u>(46,617)</u>	<u>(681,500)</u>
At 31 December 2018	<u>272,042</u>	<u>688,133</u>

Other provisions consist primarily of property provisions. Deferred tax liabilities relates to the acquisition of Lucky Generals Limited in 2017.

##### Company

	Other provisions £
At 1 January 2018	1,369,633
Increase (decrease) in existing provisions	<u>(681,500)</u>
At 31 December 2018	<u>688,133</u>

#### 17 Share capital

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

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

#### 18 Pension and other schemes

##### Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £938,469 (2017 - £818,041).

Contributions amounting to £135,946 (2017: £80,856) were payable to the schemes and are included in other creditors.



## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

#### 19 Post balance sheet events

On 24th July 2019 TBWA\Manchester Limited changed its name to TBWA\MCR Limited.

#### 20 Share-based payments

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

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

During the year ended 31 December 2018, the Company recognised an expense of £38,825 (2017: £29,119) in respect of outstanding share awards.

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

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

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

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

## TBWA UK Group Ltd

### Notes to the Financial Statements for the year ended 31 December 2018

	2018	2018	2017	2017
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	84.94	15,000	-	-
Granted			84.94	15,000
<b>Outstanding options at end of the year</b>	<u>84.94</u>	<u>15,000</u>	<u>84.94</u>	<u>15,000</u>
<b>Exercisable at end of the year</b>		<u>-</u>	<u>-</u>	<u>-</u>

The liability arising in relation to the linked recharge from Omnicom Group Inc. in relation to these share options for the year was £502,312 (2017: £201,844).

The weighted average share price at the date of exercise of share options exercised during the year was \$nil (2017: \$nil).

## 21 Commitments

### Group

#### Operating leases

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

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

	2018 £	2017 £
Not later than one year	1,001,576	2,427,789
Later than one year and not later than five years	1,230,521	6,243,862
Later than five years	<u>-</u>	<u>66,426</u>
	<u>2,232,097</u>	<u>8,738,077</u>

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **Company**

##### **Operating leases**

The total of future minimum lease payments is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Not later than one year	134,771	1,513,417
Later than one year and not later than five years	155,740	4,366,544
Later than five years	-	2,158
	<u>290,511</u>	<u>5,882,119</u>

## **22 Related party transactions**

#### **Group**

##### **Summary of transactions with subsidiaries**

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

At 31 December 2018, the Company's ultimate parent undertaking was Omnicom Group Inc. The shareholders of the Company have interest directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 102 Section 33.

#### **Company**

##### **Summary of transactions with subsidiaries**

At 31 December 2018, the Company's ultimate parent undertaking was Omnicom Group Inc. The shareholders of the Company have interest directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 102 Section 33.

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

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **23 Parent and ultimate parent undertaking**

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

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

The Group is a subsidiary undertaking of Omnicom Group Inc. incorporated in the United States of America and is the largest group in which the results are consolidated.

## **TBWA UK Group Ltd**

### **Notes to the Financial Statements for the year ended 31 December 2018**

#### **24 Details of undertaking**

##### **Subsidiary exemption**

The following UK subsidiaries of the group, having met the criteria set out in sections 479A-479C of the Companies Act 2006, are claiming exemptions from the audit of the individual accounts afforded by those sections for the year ended 31 December 2018.

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

# TBWA UK Group Ltd

## Notes to the Financial Statements for the year ended 31 December 2018

Undertaking	Company number	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity	Registered address
<b>Subsidiary undertakings</b>						
Being London Limited	3119703	England	Ordinary	100.00	Digital Advertising Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
egplus worldwide limited	1029724	England	Ordinary	100.00	Advertising Production Company	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
LG/TBWA Limited	10573007	England	Ordinary	77.78	Holding Company	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Lucky Generals Limited	08435185	England	Ordinary	77.78	Advertising and Marketing Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Mother Tongue Inc.	4975481	Delaware	Ordinary	100.00	Marketing Translation Services	1, Little West, 12th Street, New York, NY, NY10014, United States
Mother Tongue Limited	2565571	England	Ordinary	100.00	Marketing Translation Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
TBWA Limited	1367372	England	Ordinary	100.00	Advertising and Media Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
TBWA\London Limited	10573606	England	Ordinary	100.00	Advertising and Marketing Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England

**TBWA UK Group Ltd**

**Notes to the Financial Statements for the year ended 31 December 2018**

TBWA\MCR Limited (formerly TBWA\Manchester Limited)	2160991	England	Ordinary	100.00	Advertising and Marketing Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Tequila London Limited	2300483	England	Ordinary	100.00	Relationship Marketing Services	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England