

Registration number: 4332188

TBWA UK Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2021

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TBWA UK Group Ltd

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TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

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

Fair review of the business

A strong financial performance was maintained in 2021 as indicated by an improvement in the operating profit margin excluding amortisation and impairment of goodwill 9.83% from 7.43% in 2020). The Group's turnover in 2021 increased marginally by 9.6%.

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

At the end of the year the Group had net current assets of £13,841,788 (2020: £9,191,576). 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 2021, staff costs as a percentage of turnover were 65.56% in line with 2020 of 65.15%

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 decreased slightly as a percentage of turnover at 24.40% compared to 27.98% in 2020.

	Unit	2021	2020
Staff costs as a % of turnover	%	65.56	65.15
Office and admin expenses (excluding goodwill amortisation) as % of turnover	%	24.40	27.98
Operating margin (excluding goodwill amortisation and impairment)	%	9.83	7.43

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2021

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 client's 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 2021

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 UK Brexit transition period ended on 31 December 2020 and the true extent of the economic impact on the UK market during the 2021 year was difficult to measure due to the lingering effects of the COVID-19 pandemic that were present during this same period. The company continues to monitor the impact of Brexit, and in particular, in relation to the ability to continue to trade within the single market and the freedom of movement of staff in and out of the United Kingdom.

COVID-19

Whilst the impact of the COVID-19 pandemic has eased considerably in the second half of 2021, global economic conditions may continue to be volatile as long as COVID-19 remains a public health threat. We expect global economic performance and the performance of our businesses to vary by geography and discipline until the impact of the COVID-19 pandemic on the global economy subsides completely.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2021

Corporate Governance for Large companies within TBWA UK Group Limited provides a framework for the Company to not only demonstrate how the Directors make decisions for the long-term success of the Company and its stakeholders, but also has regard to how the Directors ensure the Company complies with the requirements of Section 172 of the Companies Act 2006.

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, matters that would be most likely to promote the success of the Company for the benefit of its member, and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term
- Interests of the Company's employees
- Need to foster the Company's business relationships with suppliers, customers and others
- Impact of the Company's operations on the community and the environment
- Desirability of the Company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the Company

The Directors' regard to these matters is embedded in their decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes

The Company's business strategy is focused on achieving success for the Company in the long-term. When setting this strategy, the Board considers the impact of relevant factors and stakeholder interests on the Company's performance. The Board also identifies principal risks facing the business and sets risk management objectives.

The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct. The Board ensures these core values are communicated to the Company's employees and embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business. The Directors are supported in the discharge of their duties by:

- Training to further their understanding of their duties and obligations under applicable law and regulation.
- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Company's business areas, its risk and control functions, support teams and committees of the Board.

Stakeholders

The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company.

The Board and management teams of each subsidiary ("Management") regularly discusses issues concerning employees, clients, suppliers, community and environment, regulators and its shareholder, which it considers in its discussions and in its decision-making process.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2021

In addition to this, the Management seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required.

The below summarises the key stakeholders and how we engage with each:

Employees

Our employees contribute to a positive working culture and healthy working environment. Employees are key to the success of our business. In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve our team's productivity and our individual employees' potential within the business. We continually invest in employee development and welfare to create and encourage an inclusive culture within the organisation. Our employee appraisal programme encourages employee feedback and facilitates the opportunity for both employees and managers to set performance goals on an annual basis. Our culture invites different perspectives, new ideas and opportunities for growth. We work hard to ensure employees feel welcome and are valued and recognized for their hard work. Employees have access to a range of global and regional resource groups that offer rich connection points for networking and community engagement.

Suppliers

We work with a wide range of suppliers both in the UK and globally. We remain committed to being fair and transparent in our dealings with all of our suppliers. The Company has procedures requiring due diligence of suppliers as to their internal governance, including for example, their anti-bribery and corruption practices, data protection policies and modern slavery matters. The Company has systems and processes in place to ensure suppliers are paid in a timely manner.

Regulators

We work with our regulators in an open and proactive manner to help develop regulations that meet the needs of all our stakeholders. Management's intention is to behave responsibly and to ensure that the management team operates the business in a responsible manner, acting with the high standards and good governance expected of a business like ours. In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in our sector. We have a risk and control framework to ensure that the Company complies with all legal and regulatory requirements relating to the provision of products and services to our clients.

Community and Environment

Management's approach to social responsibility, Diversity & the community is of high importance. At TBWA we strive to create sustainable value and help investors seek more meaningful returns. Corporate social responsibility principles are part of our culture and decision-making process. We take a consultative approach focused on building long-term relationships and solving business problems. Diversity and Inclusion is a key pillar for TBWA Management and we have supported various events in 2021 including 'International Women's Day' and 'Black History Month.' The Board continues to commit and broaden the Company's work and associations with local charitable organisations, in particular involving local schools, mentoring programmes and homeless projects.

Shareholders

The Board also seeks to behave in a responsible manner towards our one shareholder. The Board communicates information relevant to its shareholder, such as its financial reporting.

TBWA UK Group Ltd

Strategic Report for the year ended 31 December 2021

Clients

Clients are at the centre of our business. Our client service teams build lasting relationships with current and potential clients to understand their objectives and requirements. We are in regular contact with clients in order to meet their defined reporting and service requirements. This includes attending monthly and quarterly update calls, as well as face to face meetings depending on client preferences. We regularly host and engage in webinars for clients. We have implemented a governance framework for the oversight of the provision of the Company's services to our clients. We take a consultative approach with clients focused on building long-term relationships and solving their investment challenges.

Approved and authorised by the Board on 21 December 2022 and signed on its behalf by:



G. Smith
Director

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2021

The directors present their report and the for the year ended 31 December 2021.

Principal activity

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

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021, (2020: £23,000,000)

Director 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 (2020: £nil). Donations to charity amounted to £9,502 (2020: £20,236).

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.

Streamlined Energy and Carbon Reporting

The Group itself consumed less than 40,000 KWH of energy in the UK during the financial year ended 31 December 2021 and so, under the Streamlined Energy and Carbon Reporting Framework implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, it is not required to disclose information on energy usage and carbon reporting in these financial statements.

TBWA UK Group Ltd

Directors' Report for the year ended 31 December 2021

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 and authorised by the Board on 21 December 2022 and signed on its behalf by:



G. Smith
Director

Bankside 3
90 - 100 Southwark 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 prepared 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 Company") year ended 31 December 2021, 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 of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are 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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 9), 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.

We have nothing to report in these respects.

Auditor Responsibilities for the audit of the financial statements

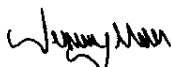
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 available on the Financial Reporting Council's website at: 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.



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

● December 2022

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TBWA UK Group Ltd

Consolidated Profit and Loss Account for the year ended 31 December 2021

	Note	2021 £	2020 £
Gross billings		123,514,188	122,115,154
Rebillable costs		<u>(43,735,815)</u>	<u>(49,332,072)</u>
Turnover	2	79,778,373	72,783,082
Direct costs		<u>(232,765)</u>	<u>(184,758)</u>
Gross profit		79,545,608	72,598,324
Administrative expenses		(74,882,272)	(70,893,606)
Other operating income		<u>66,401</u>	<u>590,973</u>
Operating profit	3	<u>4,729,737</u>	<u>2,295,691</u>
Other interest receivable and similar income	7	2,018	46,084
Interest payable and similar expenses	8	<u>(205,382)</u>	<u>(239,160)</u>
		<u>(203,364)</u>	<u>(193,076)</u>
Profit before taxation		4,526,373	2,102,615
Tax on profit	9	<u>(1,241,725)</u>	<u>(605,490)</u>
Profit after taxation		<u>3,284,648</u>	<u>1,497,125</u>
Profit/(loss) attributable to:			
Owners of the company		3,249,116	1,326,395
Non-controlling interests		<u>35,532</u>	<u>170,730</u>
		<u>3,284,648</u>	<u>1,497,125</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 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	10	10,596,684	14,796,775
Tangible assets	11	<u>2,126,294</u>	<u>2,710,448</u>
		<u>12,722,978</u>	<u>17,507,223</u>
Current assets			
Stocks	13	4,810,762	3,132,512
Debtors	14	44,159,421	40,839,908
Cash at bank and in hand		<u>5,080</u>	<u>61,852</u>
		<u>48,975,263</u>	<u>44,034,272</u>
Creditors: Amounts falling due within one year	15	<u>(35,133,475)</u>	<u>(34,842,696)</u>
Net current assets		<u>13,841,788</u>	<u>9,191,576</u>
Total assets less current liabilities		26,564,766	26,698,799
Creditors: Amounts falling due after more than one year	15	(1,421,308)	(4,459,173)
Provisions for liabilities	16	<u>(832,062)</u>	<u>(886,696)</u>
Net assets		<u>24,311,396</u>	<u>21,352,930</u>
Capital and reserves			
Called up share capital	17	3	3
Capital contribution reserve		4,875,384	4,875,384
Retained earnings		<u>18,572,641</u>	<u>15,649,707</u>
Equity attributable to owners of the Company		23,448,028	20,525,094
Non-controlling interests		<u>863,368</u>	<u>827,836</u>
Total equity		<u>24,311,396</u>	<u>21,352,930</u>

Approved and authorised by the Board on 21 December 2022 and signed on its behalf by:



G. Smith
Director

TBWA UK Group Ltd
(Registration number: 4332188)
Company Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets		1,131,706	1,442,009
Investments	12	<u>70,874,449</u>	<u>73,710,520</u>
		<u>72,006,155</u>	<u>75,152,529</u>
Current assets			
Stocks	13	2,046,842	1,120,447
Debtors	14	<u>12,046,922</u>	<u>13,275,868</u>
		14,093,764	14,396,315
Creditors: Amounts falling due within one year	15	<u>(13,411,257)</u>	<u>(16,558,891)</u>
Net current assets/(liabilities)		<u>682,507</u>	<u>(2,162,576)</u>
Total assets less current liabilities		72,688,662	72,989,953
Creditors: Amounts falling due after more than one year	15	(906,116)	(919,710)
Provisions for liabilities	16	<u>(688,133)</u>	<u>(688,133)</u>
Net assets		<u>71,094,413</u>	<u>71,382,110</u>
Capital and reserves			
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>58,782,931</u>	<u>59,070,628</u>
Total equity		<u>71,094,413</u>	<u>71,382,110</u>

The Company made a loss after tax for the financial year of £28,089 (2020 - profit of £12,582,135).

Approved and authorised by the Board on 21 December 2022 and signed on its behalf by:



G. Smith
Director

TBWA UK Group Ltd

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £	Capital contribution reserve £	Retained earnings £	Equity attributable to the owners of the Company £	Non-controlling interests £	Total £
At 1 January 2021	3	4,875,384	15,649,707	20,525,094	827,836	21,352,930
Profit for the year	-	-	3,249,116	3,249,116	35,532	3,284,648
Total comprehensive income	-	-	3,249,116	3,249,116	35,532	3,284,648
Share-based payments expense	-	-	(326,182)	(326,182)	-	(326,182)
At 31 December 2021	3	4,875,384	18,572,641	23,448,028	863,368	24,311,396

	Share capital £	Capital contribution reserve £	Retained earnings £	Equity attributable to the owners of the Company £	Non-controlling interest £	Total £
At 1 January 2020	3	4,875,384	37,156,288	42,031,675	998,183	43,029,858
Profit for the year	-	-	1,326,395	1,326,395	170,730	1,497,125
Total comprehensive income	-	-	1,326,395	1,326,395	170,730	1,497,125
Dividends	-	-	(23,000,000)	(23,000,000)	(341,077)	(23,341,077)
Share-based payments expense	-	-	167,024	167,024	-	167,024
At 31 December 2020	3	4,875,384	15,649,707	20,525,094	827,836	21,352,930

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2021	3	7,436,095	4,875,384	59,070,628	71,382,110
Loss for the year	-	-	-	(28,089)	(28,089)
Total comprehensive income	-	-	-	(28,089)	(28,089)
Share-based payments expense	-	-	-	(259,608)	(259,608)
At 31 December 2021	3	7,436,095	4,875,384	58,782,931	71,094,413
	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2020	3	7,436,095	4,875,384	69,321,468	81,632,950
Profit for the year	-	-	-	12,582,135	12,582,135
Total comprehensive income	-	-	-	12,582,135	12,582,135
Dividends	-	-	-	(23,000,000)	(23,000,000)
Share-based payments expense	-	-	-	167,025	167,025
At 31 December 2020	3	7,436,095	4,875,384	59,070,628	71,382,110

The notes on pages 21 to 43 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 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		3,284,648	1,497,125
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	4,445,401	4,481,914
Profit on disposal of fixed asset investment		-	(55,000)
Loss on disposal of fixed asset investment		-	318,933
Loss on disposal of tangible assets		-	295,606
Interest receivable and similar income	7	(2,018)	(46,084)
Interest payable and similar charges	8	205,382	239,160
Share based payment expenses		178,872	190,136
Income tax expense	9	1,241,725	605,490
Deferred Tax Liability		(54,634)	(34,163)
(Increase)/decrease in Contingent Purchase Price Liability		61,179	84,561
		<u>9,360,555</u>	<u>7,577,678</u>
Working capital adjustments			
(Increase)/decrease in stocks	13	(1,678,250)	2,176,130
Decrease in trade debtors	14	39,401	1,718,291
Increase in trade creditors	15	(965,763)	(1,861,685)
Cash generated from operations		6,755,943	9,610,414
Income taxes paid	9	(1,298,438)	(1,185,733)
Net cash flow from operating activities		<u>5,457,505</u>	<u>8,424,681</u>
Cash flows from investing activities			
Interest received		2,018	46,084
Acquisitions of tangible assets		(583,235)	(1,365,194)
Proceeds from sale of tangible assets		146,024	-
Acquisition of intangible assets	10	-	(134,796)
Proceeds from sale of intangible assets		4,118	-
Proceeds from sale of Subsidiary		-	55,000
Other reserves movement - Capital Contribution		-	(139,036)
Other reserves movement		(239,253)	-
Net cash flows from investing activities		<u>(670,328)</u>	<u>(1,537,942)</u>
Cash flows from financing activities			
Interest paid		(205,382)	(239,160)
Dividends paid		-	(23,341,077)
Loans to group undertakings		(4,369,343)	16,500,078
Long term liabilities - Capital Leases		(269,224)	232,642
Net cash flows from financing activities		<u>(4,843,949)</u>	<u>(6,847,517)</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Consolidated Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 £	2020 £
Net (decrease)/increase in cash and cash equivalents		(56,772)	39,222
Cash and cash equivalents at 1 January		<u>61,852</u>	<u>22,630</u>
Cash and cash equivalents at 31 December		<u><u>5,080</u></u>	<u><u>61,852</u></u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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.

Summary of disclosure exemptions

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

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

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

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

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2021.

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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 2021

Going concern

The Group has net current assets of £13,841,788 at 31 December 2021 (2020: £9,191,576). 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 £682,507 at 31 December 2021 (2020: net current liabilities of £(2,162,576)).

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 which covers a period of at least 12 months from the date of approval of these financial statements.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

The directors have made a going concern assessment which covers a period of at least 12 months from the date of approval of these financial statements, taking account of severe but plausible downside scenarios including the future impact of COVID-19 pandemic, that indicates the company will have sufficient funds to meet its liabilities as they fall due throughout that period, via the group facilities described above. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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 final contingent purchase price provision to be paid in 2022 has been agreed and revalued to the agreed amount.

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 cash flows, 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. All other goodwill held has been fully amortised at the year end. The carrying amount of goodwill is £9,630,313 (2020: £13,515,789).

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.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. Amounts recognised in the profit and loss are presented under the heading "Other income" within profit and loss account.

Fixed assets and depreciation

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

Asset class	Depreciation method and rate
Furniture, fittings and equipment	10%, 20%, 25% and 33% per annum
Leasehold Improvements	lower of asset life or life of lease on a straight line basis
Office equipment	20%, 25% and 33.33% per annum straight line basis

Intangible assets

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

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.

Amortisation

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

Asset class	Amortisation method and rate
Goodwill	over 5-10 years on a straight line basis
Computer software	33.33% per annum straight line basis

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

Concessions, patents, licences, trademarks, similar rights and assets. over 8 or 10 years on a straight line basis

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 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.

Cash and cash equivalents

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

Trade 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.

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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, 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:

	2021	2020
	£	£
UK	40,197,930	30,473,167
Europe	20,559,655	20,231,471
Rest of world	19,020,788	22,078,444
	<u>79,778,373</u>	<u>72,783,082</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

3 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation on tangible fixed assets: owned	1,021,365	1,045,524
Amortisation of concessions	218,376	218,375
Amortisation of software and goodwill	3,205,660	3,218,015
Foreign exchange gains/losses	341,130	65,319
Operating lease expense - property	814,566	721,217
Hire of plant and machinery - rentals payable under operating leases	30,697	71,556
Hire of other assets - rentals payable under operating leases	6,127,725	6,336,031
Rental income	<u>(221,573)</u>	<u>(429,259)</u>

Included in operating profit are Government grants of £21,608 repaid to HMRC due to an overclaim for the Coronavirus Job Retention Scheme (2020: £579,025).

4 Auditor's remuneration

	2021	2020
	£	£
Audit of these financial statements	<u>415,000</u>	<u>286,120</u>

5 Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	1,073,784	889,903
Amounts receivable under long term incentive schemes	292,791	89,725
	<u>1,366,575</u>	<u>979,628</u>
Company contributions to money purchase pension schemes	25,780	27,495
	<u>1,392,355</u>	<u>1,007,123</u>

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

	2021	2020
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

	2021 £	2020 £
Remuneration	850,474	697,679
Benefits under long-term incentive schemes (excluding shares)	292,791	89,725
Company contributions to money purchase pension schemes	<u>7,280</u>	<u>10,613</u>

The Group's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking. Shares were received or receivable under this restricted share scheme by 1 director (2020: 1)

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:

	2021 £	2020 £
Wages and salaries	35,502,128	33,453,524
Share related awards	178,872	190,136
Social security costs	4,144,696	3,930,619
Pension and other post-employment benefit costs	1,343,291	1,324,351
Severance/loss of office	<u>478,204</u>	<u>649,567</u>
	<u>41,647,191</u>	<u>39,548,197</u>

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

	2021 No.	2020 No.
Production	214	189
Administration and support	62	65
Other departments	<u>276</u>	<u>333</u>
	<u>552</u>	<u>587</u>

7 Other interest receivable and similar income

	2021 £	2020 £
Receivable from group undertakings	<u>2,018</u>	<u>46,084</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

8 Interest payable and similar expenses

	2021 £	2020 £
Payable to group undertakings	46,842	62,657
Other interest payable	61,180	86,072
Finance charges payable in respect of finance leases and hire purchase contracts	97,360	90,431
	<u>205,382</u>	<u>239,160</u>

9 Taxation

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

	2021 £	2020 £
Current taxation		
Current tax on income for the period	1,565,430	928,107
Adjustments in respect of previous periods	118,614	(349,448)
	<u>1,684,044</u>	<u>578,659</u>
Current foreign tax on income for the period	-	(42,783)
Foreign tax adjustment to prior periods	42,333	-
	<u>42,333</u>	<u>(42,783)</u>
Total current income tax	<u>1,726,377</u>	<u>535,876</u>
Deferred taxation		
Origination and reversal of timing differences	(64,626)	(2,382)
Effect of increased/decreased tax rate on opening liability	(140,866)	6,854
Adjustment in respect of previous periods	(279,160)	65,142
Total deferred taxation	<u>(484,652)</u>	<u>69,614</u>
Tax expense in the profit and loss account	<u>1,241,725</u>	<u>605,490</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

	2021 £	2020 £
Profit before tax	4,526,373	2,102,615
Corporation tax at standard rate	860,011	399,497
Effect of revenues exempt from taxation	196,160	(296,199)
Effect of expense not deductible in determining taxable profit (tax loss)	444,633	779,644
Deferred tax (credit)/expense relating to changes in tax rates or laws	(140,866)	6,854
Deferred tax expense from unrecognised temporary difference from a prior period	118,614	65,142
Decrease in UK and foreign current tax from adjustment for prior periods	(236,827)	(349,448)
Total tax charge	1,241,725	605,490

A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at has been calculated at 25% (2020: 19%).

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2021		
Difference between accumulated depreciation and capital allowances	467,446	-
Other timing differences	143,430	(143,930)
	610,876	(143,930)
2020		
Difference between accumulated depreciation and capital allowances	95,530	(14,346)
Other timing differences	85,327	(184,217)
	180,857	(198,563)

Company

Deferred tax assets and liabilities

	Asset £
2021	
Difference between accumulated depreciation and capital allowances	310,853
Other timing differences	73,838
	384,691

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

2020	Asset £
Difference between accumulated depreciation and capital allowances	45,952
Other timing differences	31,640
	<u>77,592</u>

10 Intangible assets

Group

	Goodwill £	Software £	Concessions, patents, licenses, trademarks and similar rights and assets £	Total £
Cost or valuation				
At 1 January 2021	77,979,510	473,363	1,813,000	80,265,873
Revaluation	(771,937)	-	-	(771,937)
Disposals	-	(9,208)	-	(9,208)
At 31 December 2021	<u>77,207,573</u>	<u>464,155</u>	<u>1,813,000</u>	<u>79,484,728</u>
Amortisation				
At 1 January 2021	64,463,721	168,270	837,107	65,469,098
Amortisation charge	3,113,539	92,121	218,376	3,424,036
Disposals	-	(5,090)	-	(5,090)
At 31 December 2021	<u>67,577,260</u>	<u>255,301</u>	<u>1,055,483</u>	<u>68,888,044</u>
Carrying amount				
At 31 December 2021	<u>9,630,313</u>	<u>208,854</u>	<u>757,517</u>	<u>10,596,684</u>
At 31 December 2020	<u>13,515,789</u>	<u>305,093</u>	<u>975,893</u>	<u>14,796,775</u>

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 revaluation to goodwill of £771,937 represents the decrease in the contingent purchase price liability and put options related to the acquisition in 2017 of Lucky Generals Ltd by the subsidiary LG/TBWA Ltd. The contingent purchase price liability is due to be paid in 2022.

The net disposal of £4,118 represents a disposal in Lucky Generals Ltd.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

11 Tangible fixed assets

Group

	Leasehold improvements £	Furniture, fittings and equipment £	Office equipment £	Total £
Cost or valuation				
At 1 January 2021	932,868	519,646	4,291,046	5,743,560
Additions	13,458	7,992	561,785	583,235
Disposals	(5,757)	(15,064)	(738,079)	(758,900)
At 31 December 2021	940,569	512,574	4,114,752	5,567,895
Depreciation				
At 1 January 2021	543,262	266,719	2,223,131	3,033,112
Charge for the year	193,636	78,736	748,993	1,021,365
Disposals	(1,815)	(15,181)	(595,880)	(612,876)
At 31 December 2021	735,083	330,274	2,376,244	3,441,601
Carrying amount				
At 31 December 2021	205,486	182,300	1,738,508	2,126,294
At 31 December 2020	389,606	252,927	2,067,915	2,710,448

The net disposal of £146,024, is represented by a cancelled lease in the division Media Arts Lab of £138,491, an asset in TBWA UK Group Ltd credited in 2021 of £8,223 and £690 re the NBV disposal of capital leases from Tequila London Ltd.

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:

	2021 £	2020 £
Office equipment	1,917,848	2,018,827
Furniture and fittings	-	-
	<u>1,917,848</u>	<u>2,018,827</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

12 Fixed assets investments

Company	Shares in group undertakings £
Subsidiaries	
Cost	
At 1 January 2021	112,618,366
Additions	<u>234,929</u>
At 31 December 2021	<u>112,853,295</u>
Provision for impairment	
At 1 January 2021	38,907,846
Provided in year	<u>3,071,000</u>
At 31 December 2021	<u>41,978,846</u>
Carrying amount	
At 31 December 2021	<u>70,874,449</u>
At 31 December 2020	<u>73,710,520</u>

During the year ended 31 December 2021, 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 10.3%. As a result the investment in Tequila London Ltd has been impaired by £3,071,000.

The projected cash flows are estimated based on the Omnicom Inc. approved budget for 2022. The cash flow projections for the years 2022-2027 assume a growth rate of between 2.5% to 15% for each, which reflects the directors' estimate of the medium term operating performance.

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

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

13 Stocks

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Work in progress	<u>4,810,762</u>	<u>3,132,512</u>	<u>2,046,842</u>	<u>1,120,447</u>

14 Debtors

		Group		Company	
	Note	2021 £	2020 £	2021 £	2020 £
Trade debtors		13,752,046	11,675,596	1,734,411	929,256
Amounts owed by group undertakings - trading balances		5,773,601	9,128,388	3,737,268	5,703,407
Amounts owed by group undertakings - loans and advances		14,579,729	11,152,274	4,605,986	4,862,263
Other debtors		3,399,364	3,311,845	692,355	638,698
Deferred tax assets	9	610,876	180,857	384,691	77,592
Prepayments and accrued income		<u>6,043,805</u>	<u>5,390,948</u>	<u>892,211</u>	<u>1,064,652</u>
		<u>44,159,421</u>	<u>40,839,908</u>	<u>12,046,922</u>	<u>13,275,868</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 £13,844,811 (2021: £11,028,451) representing cash deposited by the Group under these arrangements. Included in "Amounts owed by group undertakings - loans and advances" is £4,562,802 (2020: £4,862,263) representing cash deposited by the Company under these arrangements.

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

15 Creditors

Note	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Due within one year				
Obligations under finance lease and hire purchase contracts	651,026	689,471	388,154	440,785
Trade creditors	3,541,652	5,480,106	1,321,977	2,062,915
Amounts owed to group undertakings - trading balances	6,948,359	7,447,240	3,675,361	5,602,076
Amounts owed to group undertakings - loans and advances	2,583,078	3,524,966	3,386,007	3,301,287
Taxation and social security	2,831,401	3,123,199	1,049,547	1,676,559
Other creditors	2,123,548	-	-	-
Accruals and deferred income	16,454,411	14,577,714	3,590,211	3,475,269
	<u>35,133,475</u>	<u>34,842,696</u>	<u>13,411,257</u>	<u>16,558,891</u>
Due after one year				
Obligations under finance lease and hire purchase contracts	1,120,714	1,389,938	671,187	919,710
Other creditors	<u>300,594</u>	<u>3,069,235</u>	<u>234,929</u>	<u>-</u>
	<u>1,421,308</u>	<u>4,459,173</u>	<u>906,116</u>	<u>919,710</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 £466,978 (2020: £1,513,656) representing cash borrowed by the Group under these arrangements. Included in "Amounts owed to group undertakings - loans and advances" is nil (2020: £nil) representing cash borrowed by the Company under these arrangements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

16 Provisions

Group

	Deferred tax £	Other provisions £
At 1 January 2021	(198,563)	(688,133)
Decrease in existing provisions	<u>54,634</u>	<u>-</u>
At 31 December 2021	<u>(143,929)</u>	<u>(688,133)</u>

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

Company

	Other provisions £
At 1 January 2021	<u>(688,133)</u>
At 31 December 2021	<u>(688,133)</u>

17 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3

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 £1,343,291 (2020 - £1,324,351).

Contributions amounting to £127,287 (2020: £131,505) were payable to the schemes and are included in other creditors.

19 Post balance sheet events

On 25th May 2022, TBWA UK Group Ltd made a capital contribution of £2,125,000 to its subsidiary LGTBWA Ltd.

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

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 and November 2021. It is anticipated that the full vesting period for options will be three years. The option grants all become 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 20, 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 2021, the Company recognised an expense of £25,819 (2020: £12,943) in respect of outstanding share awards.

The options outstanding at the year-end have an exercise price of \$84.94 and \$72.47 a weighted average contractual life of 6 years and 8 years respectively.

	2017	2021
Fair value at measurement date \$	9.87	8
Weighted average share price \$	84.94	73
Exercise price \$	84.94	72
Expected volatility (expressed as 5 year historical monthly used in the modelling under Black Scholes model)	16.3%	23.0%
Option life in years	5	8
Expected dividends	2.6%	4.6%
Risk-free interest rate (based on national government bonds)	2.0%	1.4%

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.

The number and weighted average exercise prices of share options in Omnicom Group Inc held by TBWA UK Group Limited and its subsidiary EGplus Worldwide Limited Company employees are as follows:

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

	2021	2021	2020	2020
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	84.94	15,000	84.94	15,000
Granted	72	75,000		
Outstanding options at end of the year	<u>73.39</u>	<u>90,000</u>	<u>84.94</u>	<u>15,000</u>
Exercisable at end of the year	<u>85</u>	<u>15,000</u>	<u>85</u>	<u>15,000</u>

The liability arising in relation to the linked recharge from Omnicom Group Inc. in relation to these share options for the year was £1,037,486 (2020: £685,485).

The weighted average share price at the date of exercise of share options exercised during the year was \$nil (2020: \$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:

	2021 £	2020 £
Not later than one year	538,905	854,762
Later than one year and not later than five years	<u>-</u>	<u>537,314</u>
	<u>538,905</u>	<u>1,392,076</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

Company

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£	£
Not later than one year	-	1,491

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 2021, the Group's ultimate parent undertaking was Omnicom Group Inc. The shareholders of the Group 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

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.

At 31 December 2021, 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.

TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

23 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 2021.

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 2021

Undertaking	Company number	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity	Registered address
Subsidiary undertakings						
egplus Worldwide Limited	1029724	England	Ordinary	100	Production	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
Designory UK Ltd (formerly Experience Worldwide Ltd)	1367372	England	Ordinary	100	Advertising	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
LG\TBWA Limited	10573007	England	Ordinary	77.78	Advertising	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
Lucky Generals Limited	08435185	England	Ordinary	77.78	Advertising	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
Lucky Generals NY I.I.C	4296902	Delaware	Membership	77.78	Advertising	488 Madison Avenue, New York City, NY 10022, United States
Mother Tongue Limited	2565571	England	Ordinary	100	Translation Services	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
TBWA\London Limited	10573606	England	Ordinary	77.78	Advertising	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England
Tequila London Limited	2300483	England	Ordinary	100	Advertising	Bankside 3, 90-100 Southwark Street, London, SE1 0SW, England

The notes on pages 21 to 43 form an integral part of these financial statements.
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TBWA UK Group Ltd

Notes to the Financial Statements for the year ended 31 December 2021

24 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.'s registered address, 280 Park Avenue, New York, NY 10017, United States.

The Company 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.

The notes on pages 21 to 43 form an integral part of these financial statements.