

Registration number: 933578

DDB UK Limited

Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2018

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DDB UK Limited

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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).

Fair review of the business

Development and performance of the business of the Company during the financial year:

The profit for the year after taxation was £6,997,038 (2017: £6,815,076).

Trading conditions continue to be challenging for the industry and we closely monitor economic conditions, client spending and other factors, and in response, will take actions available to us to improve our cost structure and manage working capital. In the current economic environment, there can be no assurance as to the effects of future circumstances, client spending patterns, client credit worthiness and other developments on us and whether to what extent our efforts to respond to them will be effective.

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

We measure operating expenses in two distinct cost categories, staff costs and office and all other administrative expenses. Staff costs (excluding severance compensation) are primarily comprised of salaries, social security and employer pension contributions, and office and general expenses are primarily comprised of rent and occupancy costs, technology related costs and depreciation.

Because we are a service business, we monitor these costs on a percentage of revenue basis. Staff costs tend to fluctuate in conjunction with changes in revenue, whereas administrative expenses, which are directly related to servicing clients, tend to decrease as a percentage of revenue as revenue increases because a significant portion of these expenses are relatively fixed in nature. During 2018, staff costs were 48.8% of revenue compared with 49.5% in 2017.

Other administrative expenses (excluding staff costs, severance and amortisation of goodwill) decreased to 25.4% of revenue from 25.5% in 2017. Direct costs decreased to 6.6% of revenues from 7.4% in 2017.

Position of the Company at the year end:

At the year end the Company remains in good financial health and well positioned in the market to grow; through the expansion into new markets and new service offerings. The Company has a low gearing ratio and strong current ratio. During the year a dividend of £11,000,000 was paid.

Strategic Report for the Year Ended 31 December 2018

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

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

Further, as the evolution of our business continues to become integrated with the digital marketplace, we are increasingly dependent on the technical skills of a highly skilled workforce and their ability to maintain the skills necessary to serve our clients.

In our business we purchase media for some of our clients and act as an agent for a disclosed principal. We enter into contractual commitments with media providers on behalf of our clients at levels that substantially exceed our revenue. These commitments are included in our accounts payable balance when the media services are delivered by media providers. While operating practices vary by country, media type and media vendor, in certain markets many of our contracts with media providers specify that if our client defaults on its payment obligations then we are not liable to the media providers under the legal theory of sequential liability until we have been paid for the media by our client. In other countries, we manage the risk in other ways, including evaluating and monitoring our clients' credit worthiness and, in many cases, requiring credit insurance or payment in advance. Further, in cases where we become committed to the media and it becomes apparent that a client may be unable to pay for the media, options are potentially available to us in the marketplace in addition to those cited above to mitigate the potential loss, including negotiating with media providers. This risk could significantly increase in periods of severe economic downturn. Such a loss could have a material adverse effect on our results of operations and financial position.

In the normal course of business, we often enter into agreements with production companies on behalf of our clients at levels that substantially exceed our revenue in connection with the services provided. Our agencies incur production costs on behalf of clients. We usually act as an agent for a disclosed principal in the procurement of these services. We manage the risk of payment default by the client by having the production companies be subject to sequential liability or requiring at least partial payment in advance. However, the agreements entered into, as well as the production costs incurred are unique to each client. The risk of a material loss could significantly increase in periods of severe economic downturn. Such a loss could have a material adverse effect on our results of operations and financial position.

Strategic Report for the Year Ended 31 December 2018

Principal risks and uncertainties

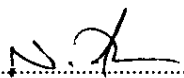
Turmoil in the credit markets or a contraction in the availability of credit would make it more difficult for businesses to meet their capital requirements and could lead clients to change their financial relationship with their vendors, including us. If that were to occur, we may require additional financing to fund our day-to-day working capital requirements. There can be no assurance that additional financing will be available on favourable terms, if at all. This could materially adversely impact our results of operations and financial position. Global economic uncertainty could cause our clients to reduce their volume of spend and/or delay the time they take to pay us, in turn negatively affecting our working capital. Consequently, we could need to obtain additional financing. Such circumstances could therefore materially adversely affect our results of operations and financial position. Our clients generally are able to reduce marketing spending or cancel projects at any time for any reason. Any of our clients could decide not to continue to utilise our services to the same extent, as they have in the past, or at all, in the future. A significant reduction in marketing spending by our largest clients, or the loss of several of our largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect our revenue, which could materially adversely affect our results of operations and financial position.

We rely on information technology systems and infrastructure to process transactions, summarise results, and manage our business, including maintaining client marketing and advertising strategies. The size and complexity of our technology systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. Likewise data privacy 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 the public. Whilst we have invested heavily in the protection of data and information technology systems, there can be no assurance that our efforts to prevent breakdowns or breaches in our systems that could adversely affect our reputation or business.

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

During the year the Company traded under the names adam&eveDDB, Tribal Worldwide London and Gutenberg Networks, all being divisions of DDB UK Limited.

Approved by the Board on 18 September 2019 and signed on its behalf by:


.....
N.J.E. Leatham
Director

DDB UK Limited

Directors' Report for the year ended 31 December 2018

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

Principal activity

The principal activity of the company during the year was that of an advertising agency.

Dividends

On 31st May 2018 the directors paid a dividend of £11,000,000 in respect of the year ended 31 December 2017 (2016: £16,000,000).

Directors of the company

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

D.M. Nagy

J.B.P. Murphy (resigned 23 April 2019)

N.J.E. Leatham

The following directors were appointed after the year end:

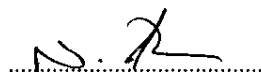
T. Einav (appointed 23 April 2019)

M.P. Goff (appointed 23 April 2019)

Political and charitable donations

During the year the company made no political donations (2017: £nil). Donations to charity amounted to £34,189 (2017: £59,459).

Approved by the Board on 18 September 2019 and signed on its behalf by:



N.J.E. Leatham
Director

12 Bishops Bridge Road
London
W2 6AA

DDB UK Limited

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

DDB UK Limited

Profit and Loss Account for the year ended 31 December 2018

	Note	2018 £	2017 £
Gross billings	2	184,655,014	206,096,104
Rebillable costs		<u>(100,138,748)</u>	<u>(125,603,282)</u>
Turnover		84,516,266	80,492,822
Direct costs		<u>(2,931,702)</u>	<u>(2,699,045)</u>
Gross profit		81,584,564	77,793,777
Administrative expenses		(71,087,143)	(68,555,359)
Other operating income		<u>234,026</u>	<u>-</u>
Operating profit	3	10,731,447	9,238,418
Other interest receivable and similar income	6	176,835	80,410
Interest payable and similar expenses	7	<u>(17,174)</u>	<u>(7,940)</u>
Profit before taxation		10,891,108	9,310,888
Tax on profit	8	<u>(3,894,070)</u>	<u>(2,495,812)</u>
Profit after taxation		<u>6,997,038</u>	<u>6,815,076</u>

The results shown above are derived wholly from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 10 to 23 form an integral part of these financial statements.

DDB UK Limited

**(Registration number: 933578)
Balance Sheet as at 31 December 2018**

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	9	19,456,540	23,404,662
Tangible assets	10	1,927,634	3,083,079
		<u>21,384,174</u>	<u>26,487,741</u>
Current assets			
Stocks	12	3,755,831	4,589,942
Debtors	13	72,552,268	70,301,077
Cash at bank and in hand		1,936	2,232
		<u>76,310,035</u>	<u>74,893,251</u>
Creditors: Amounts falling due within one year	14	(60,650,659)	(59,525,356)
Net current assets		<u>15,659,376</u>	<u>15,367,895</u>
Total assets less current liabilities		37,043,550	41,855,636
Creditors: Amounts falling due after more than one year	14	(1,677,793)	(1,649,410)
Net assets		<u>35,365,757</u>	<u>40,206,226</u>
Capital and reserves			
Called up share capital	15	3	3
Share premium account		21,581,800	32,581,800
Retained earnings		13,783,954	7,624,423
Total equity		<u>35,365,757</u>	<u>40,206,226</u>

The notes on pages 10 to 23 form an integral part of these financial statements.

DDB UK Limited

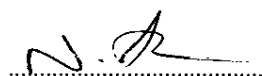
(Registration number: 933578)
Balance Sheet as at 31 December 2018

For the year ending 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 18 September 2019 and signed on its behalf by:



N.J.E. Leatham

Director

DDB UK Limited

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

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	3	32,581,800	7,624,423	40,206,226
Profit for the year	-	-	6,997,038	6,997,038
Total comprehensive income	-	-	6,997,038	6,997,038
Dividends	-	-	(11,000,000)	(11,000,000)
Share-based payments expense	-	-	200,605	200,605
Recharge from Omnicom Group Inc in respect of share based payments	-	-	(1,038,112)	(1,038,112)
Capital reduction	-	(11,000,000)	11,000,000	-
At 31 December 2018	3	21,581,800	13,783,954	35,365,757

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2017	3	42,495,569	6,086,231	48,581,803
Profit for the year	-	-	6,815,076	6,815,076
Total comprehensive income	-	-	6,815,076	6,815,076
Dividends	-	-	(16,000,000)	(16,000,000)
Recharge from Omnicom Group Inc in respect of share based payments	-	-	(60,179)	(60,179)
Capital reduction	-	(9,913,769)	9,913,769	-
Other reserve movements	-	-	869,526	869,526
At 31 December 2017	3	32,581,800	7,624,423	40,206,226

The notes on pages 10 to 23 form an integral part of these financial statements.

DDB UK Limited

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

1 Accounting policies

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.

Summary of disclosure exemptions

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

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

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

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

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

DDB UK Limited

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

Going concern

The Company has net current assets of £15,659,376 at 31 December 2018 (2017: £15,367,895). 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, the group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited or by Omnicom Finance 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.

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

As explained above, Goodwill has been remeasured with an estimated useful life of 10 years from 1 January 2014. The carrying amount goodwill is £19,456,538 (2017 £23,347,845).

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.

Gross Billings

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

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

Rebillable costs

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

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. Substantially all income occurs in the UK.

DDB UK Limited

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

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.

Tax

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

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

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

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

Fixed assets and depreciation

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Office Equipment	10-38% per annum
Furniture, fittings, tools and equipment	10-38% per annum

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 and other debtors

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

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

DDB UK Limited

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

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 and other creditors

Trade and other 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 company 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 and other creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

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

Share capital

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

Dividends

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

Defined contribution pension obligation

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

2 Turnover

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

DDB UK Limited

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

3 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£	£
Depreciation and other amounts written off tangible fixed assets: owned	1,503,547	1,300,456
Amortisation of goodwill	3,891,307	3,891,308
Amortisation of software	75,815	145,525
Foreign exchange (gains) / losses	(238,107)	224,823
Hire of plant and machinery - rentals payable	405,571	732,259
Hire of other assets - rentals payable	3,196,666	-
Operating lease expense - property	-	1,098,920
Rental income	<u>(607,583)</u>	<u>(723,057)</u>

4 Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	1,126,012	589,908
Company contributions to money purchase pension schemes	23,250	21,750
	<u>1,149,262</u>	<u>611,658</u>

In respect of the highest paid director:

	2018	2017
	£	£
Remuneration	<u>882,228</u>	<u>317,678</u>

5 Staff costs

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

	2018	2017
	£	£
Wages and salaries	37,024,686	35,862,917
Share related awards	292,692	61,226
Social security costs	3,994,142	3,684,313
Pension and other post-employment benefit costs	1,709,467	2,208,332
Severance/loss of office	334,174	325,825
	<u>43,355,161</u>	<u>42,142,613</u>

DDB UK Limited

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

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

	2018 No.	2017 No.
Administration and support	68	79
Research and development	47	49
Sales	325	306
Other departments	124	122
	<u>564</u>	<u>556</u>

6 Other interest receivable and similar income

	2018 £	2017 £
Receivable from group undertakings	<u>176,835</u>	<u>80,410</u>

7 Interest payable and similar expenses

	2018 £	2017 £
Finance charges payable in respect of finance leases and hire purchase contracts	<u>17,174</u>	<u>7,940</u>

8 Taxation

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

	2018 £	2017 £
Current taxation		
Current tax on income for the period	3,225,609	2,696,611
Adjustments in respect of previous periods	<u>769,157</u>	<u>(166,446)</u>
	<u>3,994,766</u>	<u>2,530,165</u>
Deferred taxation		
Origination and reversal of timing differences	(122,913)	(38,900)
Effect of increased/decreased tax rate on opening liability	<u>22,217</u>	<u>4,547</u>
Total deferred taxation	<u>(100,696)</u>	<u>(34,353)</u>
Tax expense in the profit and loss account	<u>3,894,070</u>	<u>2,495,812</u>

DDB UK Limited

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

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

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	<u>10,891,108</u>	<u>9,310,888</u>
Corporation tax at standard rate	2,069,311	1,792,346
Effect of expense not deductible in determining taxable profit (tax loss)	945,235	865,365
Deferred tax expense (credit) relating to changes in tax rates or laws	22,217	4,547
Increase (decrease) in UK deferred tax from prior periods	88,150	-
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	<u>769,157</u>	<u>(166,446)</u>
Total tax charge	<u>3,894,070</u>	<u>2,495,812</u>

Reductions in the UK corporation tax rate to 19% (effective 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

Deferred tax assets and liabilities

2018	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	311,454
Other timing differences	<u>138,433</u>
	<u>449,887</u>
2017	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	257,715
Other timing differences	<u>91,476</u>
	<u>349,191</u>

DDB UK Limited

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

9 Intangible assets

	Goodwill £	Software £	Total £
Cost or valuation			
At 1 January 2018	41,692,582	495,106	42,187,688
Additions	-	19,000	19,000
Disposals	-	(450,732)	(450,732)
At 31 December 2018	<u>41,692,582</u>	<u>63,374</u>	<u>41,755,956</u>
Amortisation			
At 1 January 2018	18,344,737	438,289	18,783,026
Amortisation charge	3,891,307	75,815	3,967,122
Disposals	-	(450,732)	(450,732)
At 31 December 2018	<u>22,236,044</u>	<u>63,372</u>	<u>22,299,416</u>
Carrying amount			
At 31 December 2018	<u>19,456,538</u>	<u>2</u>	<u>19,456,540</u>
At 31 December 2017	<u>23,347,845</u>	<u>56,817</u>	<u>23,404,662</u>

DDB UK Limited

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

10 Tangible fixed assets

	Leasehold improvements £	Furniture, fittings and equipment £	Office equipment £	Total £
Cost or valuation				
At 1 January 2018	17,858,643	57,129	719,379	18,635,151
Additions	130,251	-	217,851	348,102
Disposals	-	(57,129)	(196,932)	(254,061)
At 31 December 2018	<u>17,988,894</u>	<u>-</u>	<u>740,298</u>	<u>18,729,192</u>
Depreciation				
At 1 January 2018	15,236,705	57,129	258,238	15,552,072
Charge for the year	1,357,364	-	146,183	1,503,547
Disposal	-	(57,129)	(196,932)	(254,061)
At 31 December 2018	<u>16,594,069</u>	<u>-</u>	<u>207,489</u>	<u>16,801,558</u>
Carrying amount				
At 31 December 2018	<u>1,394,825</u>	<u>-</u>	<u>532,809</u>	<u>1,927,634</u>
At 31 December 2017	<u>2,621,938</u>	<u>-</u>	<u>461,141</u>	<u>3,083,079</u>

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 £
Office Equipment	<u>532,806</u>	<u>461,141</u>

DDB UK Limited

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

11 Dividends

Interim dividends paid

	2018 £	2017 £
Interim dividend of £36,666.37 (2017 - £53,333.33) per each ordinary share	<u>11,000,000</u>	<u>16,000,000</u>

12 Stocks

	2018 £	2017 £
Work in progress	<u>3,755,831</u>	<u>4,589,942</u>

13 Debtors

	Note	2018 £	2017 £
Trade and other debtors		24,071,185	40,124,573
Amounts owed by group undertakings - trading balances		5,469,258	1,413,982
Amounts owed by group undertakings - loans and advances		34,900,309	23,930,058
Other debtors		990,489	1,255,512
Deferred tax assets	8	449,887	349,191
Prepayments and accrued income		<u>6,671,140</u>	<u>3,227,761</u>
		<u>72,552,268</u>	<u>70,301,077</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance 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 or by Omnicom Finance Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £34,900,309 (2017: £23,930,058) representing cash deposited by the Company under these arrangements.

DDB UK Limited

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

14 Creditors

	Note	2018 £	2017 £
Due within one year			
Obligations under finance lease and hire purchase contracts		167,062	114,835
Trade and other creditors		6,233,668	6,464,101
Amounts owed to group undertakings - trading balances		6,134,965	2,418,908
Amounts owed to group undertakings - loans and advances		-	305,196
Taxation and social security		5,060,383	2,735,006
Accruals and deferred income		43,054,581	47,487,310
		<u>60,650,659</u>	<u>59,525,356</u>
Due after one year			
Obligations under finance lease and hire purchase contracts		370,370	341,987
Other creditors		1,307,423	1,307,423
		<u>1,677,793</u>	<u>1,649,410</u>

15 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>300</u>	<u>3.00</u>	<u>300</u>	<u>3.00</u>

16 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	167,062	114,835
Later than one year and not later than five years	370,370	341,987
	<u>537,432</u>	<u>456,822</u>

DDB UK Limited

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

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,709,467 (2017 - £2,208,332).

18 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 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 £80,244 (2017: £60,182) 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.

	2017
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	4.5 years
Expected dividends	2.6%
Risk-free interest rate (based on national government bonds)	2.0%

DDB UK Limited

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

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 DDB UK Limited company employees are as follows:

	2018	2018	2017	2017
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	84.94	31,000		-
Granted	-	-	84.94	31,000
Exercised	-	-	-	-
Lapsed	-	-	-	-
Forfeited	-	-	-	-
Outstanding options at end of the year	84.94	31,000	84.94	31,000
Exercisable at end of the year	-	-	-	-

The liability arising in relation to the linked recharge from Omnicom Group Inc in relation to these share options for the year was £1,038,112 (2017: £417,144).

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

DDB UK Limited

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

19 Commitments

Non-cancellable operating lease rentals are payable as follows:

Operating leases

The total of future minimum lease payments is as follows:

	2018	2017
	£	£
Not later than one year	-	1,577,918
Later than one year and not later than five years	-	1,374,759
Later than five years	-	876,672
	<u>-</u>	<u>3,829,349</u>

From 1 January 2018 the principle premises were leased from a fellow group company with no future minimum lease payments.

20 Related party transactions

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.

21 Parent and ultimate parent undertaking

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.

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

The Company is also consolidated into DDB UK Investments Ltd and these accounts may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, Wales.