

Registration number: 1699246

AMV BBDO Investments Limited

Strategic Report, Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2018

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AMV BBDO Investments Limited

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AMV BBDO Investments Limited

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).

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

The group is comprised of some of the UK's leading companies in the field of advertising, direct marketing, content marketing, corporate communications and brand publishing. The AMV BBDO Investments Limited group is a large diversified communications group providing services to a wide range of clients across numerous industries including retail, food, automotive, FMCG and telecommunications. The group aims to deliver first class service through a combination of attracting and retaining the very best people in the industry and providing leading edge creative innovation and technology to our clients.

AMV BBDO Investments Limited is a parent company for leading communications companies ultimately owned by Omnicom Group Inc.

The group's turnover reported in 2018 amounted to £116,910,637 (2017: £106,396,011). The profit for the year before taxation was £19,676,974 (2017: £18,862,873).

Position of the group at the year end

At the end of the year the group had net current assets of £40,624,773 (2017: £53,999,835). The directors consider that the group has access to sufficient funds to meet its needs for the reasons set out in Note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

Key performance indicators (both financial and non-financial)

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

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

As we are a service business, we monitor salary and service costs and office and general costs in relation to turnover. Salary and service costs tend to fluctuate in conjunction with changes in turnover. The group's turnover in 2018 increased by 9.9%. Salary and service costs decreased by 1.5% in 2018 compared to 2017.

Office and general expenses are less directly linked to changes in turnover than salary and service costs. Office and general expenses (administration expenses less payroll costs) increased by 5.1% in 2018 compared to 2017.

Operating margin reduced to 16.5% in 2018 compared to 17.4% in 2017.

AMV BBDO Investments Limited

Strategic Report for the year ended 31 December 2018

Principal risks and uncertainties

Our employees continue to be the most important assets and our ability to attract and retain key personnel is an important aspect of our competitiveness. If we are unable to attract and retain key personnel, including highly skilled technically proficient personnel, our ability to provide our services in the manner our customers have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients, which could have a material adverse effect on our results and financial position.

Our clients generally are able to reduce advertising and marketing spending or cancel projects at any time on short notice for any reason. It is possible that our clients could reduce spending in comparison to historical patterns. A significant reduction in advertising and marketing spending by our largest clients, or the loss of several of our largest clients, if not replaced by new clients or an increase in business from existing clients, would adversely affect our turnover and could have a material adverse effect on our results and financial position.

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

The main trends and factors likely to affect future development, performance and position of the Group's business

In the normal course of business, our agencies enter into contractual commitments with media providers and production companies on behalf of our clients at levels that can substantially exceed the turnover from our services. These commitments are included in accounts payable when the services are delivered by the media providers or production companies. If permitted by local law and the client agreement, many of our agencies purchase media and production services for our clients as an agent for a disclosed principal. In addition, operating practices vary by country, media type and media vendor.

Where purchases of media and production services are made by our agencies as a principal or are not subject to the theory of sequential liability, the risk of a material loss as a result of payment default by our clients could increase significantly and such a loss could have a material adverse effect on our results and financial position. In addition, methods of managing the risk of payment default, including obtaining credit insurance, requiring payment in advance, mitigating the potential loss in the marketplace or negotiating with media providers, may be less available or unavailable during a severe economic downturn.

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 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.

AMV BBDO Investments Limited

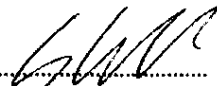
Strategic Report for the year ended 31 December 2018

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

We are exposed to foreign exchange fluctuation in the course of normal business activities. We monitor our foreign currency exposure and manage our currency flows to minimise foreign exchange risk arising on transitions denominated in foreign currencies. Wherever possible the majority of our cash balances are maintained in sterling to mitigate the impact of currency fluctuations.

The vote to leave the EU and the subsequent triggering of article 50 has brought about uncertainty affecting economic outlook in all sectors of the UK economy. At this stage of the leave process it is unclear what will be negotiated between the EU and the UK government and to what extent it will affect both economies, and media sector in particular. We are monitoring developments in this respect.

Approved by the Board on 28 August 2019 and signed on its behalf by:


.....
S. Gilson
Director

AMV BBDO Investments Limited

Directors' Report for the year ended 31 December 2018

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

Principal activity

The principal activities of the Group during the year continued to be advertising, marketing and corporate communications.

Investment activity

There was no investment activity in 2018.

Dividends

The company paid an interim dividend of £29,700,000 in respect of the year ended 31 December 2018 (2017: £7,000,000).

Directors of the group

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

P. Snowball (resigned 31 December 2018)

J. Byrnes (resigned 7 February 2019)

S. Gilson (appointed 3 December 2018)

J. Moser (appointed 3 December 2018)

Political and charitable donations

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Donations to charities amounted to £38,721 (2017: £49,687).

Employee Involvement

We communicate the strategy and direction of the businesses through monthly updates to all employees in emails as well as regular formal and informal agency wide meetings. Our intranet contains contact information as well as our Company Handbook and other policy information.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled person should, as far as possible, be identical with that of other employees.

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.

AMV BBDO Investments Limited

Directors' Report for the year ended 31 December 2018

Reappointment of auditor

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

Approved by the Board on 28 August 2019 and signed on its behalf by:


.....
S. Gilson
Director

Bankside 3
90 - 100 Southwark Street
London
SE1 0SW

AMV BBDO Investments Limited

Statement of Directors' Responsibilities

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 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 parent company and of their profit or loss of the 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 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 AMV BBDO Investments Limited

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's 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").

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

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

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:

Independent Auditor's Report to the Members of AMV BBDO Investments Limited

- 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:

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

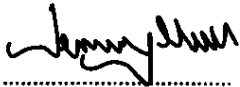
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

Independent Auditor's Report to the Members of AMV BBDO Investments Limited



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

28 August 2019

AMV BBDO Investments Limited

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

	Note	2018 £	2017 £
Gross billings	2	204,508,404	191,391,477
Rebillable costs		<u>(87,597,767)</u>	<u>(84,995,466)</u>
Turnover		116,910,637	106,396,011
Direct costs		<u>(12,544,375)</u>	<u>(3,813,375)</u>
Gross profit		104,366,262	102,582,636
Administrative expenses		(85,142,485)	(84,101,174)
Other operating income		<u>45,916</u>	<u>30,578</u>
Operating profit	3	<u>19,269,693</u>	<u>18,512,040</u>
Other interest receivable and similar income	7	427,102	362,806
Interest payable and similar charges	8	<u>(19,823)</u>	<u>(11,973)</u>
		<u>407,279</u>	<u>350,833</u>
Profit before tax on ordinary activities		19,676,972	18,862,873
Taxation	9	<u>(3,469,357)</u>	<u>(3,592,831)</u>
Profit for the financial year		<u>16,207,615</u>	<u>15,270,042</u>
Profit attributable to:			
Owners of the company		<u>16,207,615</u>	<u>15,270,042</u>

The notes on pages 17 to 33 form an integral part of these financial statements.
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AMV BBDO Investments Limited

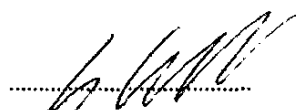
Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	2018	2017
	£	£
Profit for the year	<u>16,207,615</u>	<u>15,270,042</u>
Total comprehensive income for the year	<u>16,207,615</u>	<u>15,270,042</u>
Total comprehensive income attributable to:		
Owners of the company	<u>16,207,615</u>	<u>15,270,042</u>

AMV BBDO Investments Limited
(Registration number: 1699246)
Consolidated Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	911,628	881,808
Investments	12	<u>62,074,000</u>	<u>62,074,000</u>
		<u>62,985,628</u>	<u>62,955,808</u>
Current assets			
Stocks	13	13,760,649	16,370,340
Debtors	14	74,362,337	83,927,591
Cash at bank and in hand		<u>12,109</u>	<u>8,209</u>
		88,135,095	100,306,140
Creditors: Amounts falling due within one year	15	<u>(47,510,322)</u>	<u>(46,306,305)</u>
Net current assets		<u>40,624,773</u>	<u>53,999,835</u>
Total assets less current liabilities		103,610,401	116,955,643
Creditors: Amounts falling due after more than one year	15	<u>(1,104,971)</u>	<u>(957,828)</u>
Net assets		<u>102,505,430</u>	<u>115,997,815</u>
Capital and reserves			
Called up share capital	16	9	9
Share premium account		160,665,837	160,665,837
Retained earnings		600,856	14,093,241
Merger reserve		<u>(58,761,272)</u>	<u>(58,761,272)</u>
Total equity		<u>102,505,430</u>	<u>115,997,815</u>

Approved and authorised by the Board on 28 August 2019 and signed on its behalf by:

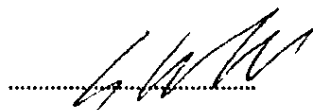

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S. Wilson
Director

AMV BBDO Investments Limited
(Registration number: 1699246)
Company's Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	12	142,664,134	142,664,134
Current assets			
Debtors	14	<u>18,944,961</u>	<u>18,634,591</u>
Net assets		<u>161,609,095</u>	<u>161,298,725</u>
Capital and reserves			
Called up share capital	16	9	9
Share premium account		160,665,837	160,665,837
Retained earnings		<u>943,249</u>	<u>632,879</u>
Total equity		<u>161,609,095</u>	<u>161,298,725</u>

The company made a profit after tax for the financial year of £30,010,370 (2017 - profit of £7,310,370).

Approved and authorised by the Board on 28 August 2019 and signed on its behalf by:



 S. Gilson
 Director

AMV BBDO Investments Limited

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

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
At 1 January 2018	9	160,665,837	(58,761,272)	14,093,241	115,997,815
Profit for the year	-	-	-	16,207,615	16,207,615
Total comprehensive income	-	-	-	16,207,615	16,207,615
Dividends	-	-	-	(29,700,000)	(29,700,000)
At 31 December 2018	9	160,665,837	(58,761,272)	600,856	102,505,430
				Retained	Total
				earnings	£
At 1 January 2017	9	160,665,837	(58,761,272)	5,823,199	107,727,773
Profit for the year	-	-	-	15,270,042	15,270,042
Total comprehensive income	-	-	-	15,270,042	15,270,042
Dividends	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2017	9	160,665,837	(58,761,272)	14,093,241	115,997,815

The notes on pages 17 to 33 form an integral part of these financial statements.
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AMV BBDO Investments Limited

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

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	9	160,665,837	632,879	161,298,725
Profit for the year	-	-	30,010,370	30,010,370
Total comprehensive income	-	-	30,010,370	30,010,370
Dividends	-	-	(29,700,000)	(29,700,000)
At 31 December 2018	9	160,665,837	943,249	161,609,095
	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2017	9	160,665,837	322,509	160,988,355
Profit for the year	-	-	7,310,370	7,310,370
Total comprehensive income	-	-	7,310,370	7,310,370
Dividends	-	-	(7,000,000)	(7,000,000)
At 31 December 2017	9	160,665,837	632,879	161,298,725

The notes on pages 17 to 33 form an integral part of these financial statements.
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AMV BBDO Investments Limited

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

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		16,207,615	15,270,042
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	401,496	488,240
Loss on disposal of tangible assets		-	572
Finance income	7	(116,732)	(52,436)
Finance costs	8	19,823	11,973
Long-term incentives related to restricted stock units		89,329	577,339
Dividends from preference shares		(310,370)	(310,370)
Other long-term incentives		73,143	278,102
Income tax expense	9	<u>3,469,357</u>	<u>3,592,831</u>
		19,833,661	19,856,293
Working capital adjustments			
Decrease in stocks	13	2,609,691	5,365,472
Decrease in debtors	14	3,017,806	1,138,631
Increase/(decrease) in creditors	15	<u>1,415,800</u>	<u>(13,374,028)</u>
Cash generated from operations		26,876,958	12,986,368
Income taxes paid	9	<u>(3,406,610)</u>	<u>(3,719,047)</u>
Net cash flow from operating activities		<u>23,470,348</u>	<u>9,267,321</u>
Cash flows from investing activities			
Interest received		116,732	52,436
Acquisitions of tangible assets		(431,316)	(359,853)
Proceeds from sale of tangible assets		431,316	-
Equity dividend paid		(29,700,000)	(7,000,000)
Repayments of obligation under finance lease		<u>150,697</u>	<u>133,013</u>
Net cash flows from investing activities		<u>(29,432,571)</u>	<u>(7,174,404)</u>
Cash flows from financing activities			
Interest paid	8	(19,823)	(11,973)
Decrease/(increase) in loans to group undertakings		<u>5,985,946</u>	<u>(2,079,600)</u>
Net cash flows from financing activities		<u>5,966,123</u>	<u>(2,091,573)</u>
Net increase in cash and cash equivalents		3,900	1,344
Cash and cash equivalents at 1 January		<u>8,209</u>	<u>6,865</u>
Cash and cash equivalents at 31 December		<u>12,109</u>	<u>8,209</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

AMV BBDO Investments 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 Group'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.

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

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;

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 2018.

AMV BBDO Investments Limited

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

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

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

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.

Merger accounting

As permitted by FRS 6 and FRS 102, the group accounted for the reconstruction of the group in 2013 under merger accounting. In merger accounting the financial statements of the parties to the combination are aggregated, and presented as though the combining entities had always been part of the same reporting entity. Accordingly, the results of the combining entities for the full financial year are reflected in the group accounts for the period and corresponding amounts are presented on the same basis. Under merger accounting, a difference may arise on consolidation between the nominal value of shares issued and the aggregate of the nominal value of shares received in exchange. Such difference is not goodwill and is shown as a merger reserve.

AMV BBDO Investments Limited

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

Going concern

The Company has net current assets of £40,624,773 at 31 December 2018 (2017: £53,999,835). The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis.

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

Omnicom Finance Limited and Omnicom Financial Services Limited, are able to make this commitment because Omnicom Finance Limited and Omnicom Financial Services Limited are 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.

Gross Billings

Gross billings are recognised 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 Group is arranging for its clients in its capacity as an intermediary. The Group contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the Group bears credit risk in respect of these activities, the arrangements with its clients are such that, in effect it acts as an intermediary on behalf of its client. Where the Group acts as an intermediary, costs incurred with external suppliers are excluded from turnover.

Turnover

Turnover consists of 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.

AMV BBDO Investments 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.

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Fixed assets and depreciation

Tangible fixed assets are stated at 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
Furniture, Fittings, Tools and Equipment	10%-33.33% per annum
Motor Vehicles	20% per annum
Office Equipment	20%-33.33% per annum

Intangible assets and amortisation

Intangible assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. 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
Software	1 - 3 years straight line

Fixed asset investments

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

Work in progress

Work in progress includes costs incurred on behalf of clients in providing advertising and marketing services, including media and production costs, and fees that have not yet billed, at net realisable value.

AMV BBDO Investments Limited

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

Leases

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

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

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 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 group's gross billings, turnover and operating profit for the year related to its principal activity, which was that of an advertising agency.

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

	2018	2017
	£	£
UK	85,981,318	82,412,928
Europe	18,093,163	13,759,832
Rest of world	12,836,156	10,223,251
	<u>116,910,637</u>	<u>106,396,011</u>

AMV BBDO Investments 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	401,496	460,271
Amortisation of software	-	27,969
Foreign exchange (gains)/losses	193,960	197,744
Hire of plant and machinery - rentals payable under operating leases	22,006	21,109
Hire of other assets - rentals payable under operating leases	8,769,620	8,352,964
Rental income	<u>(27,666)</u>	<u>(62,349)</u>

4 Auditor's remuneration

	2018	2017
	£	£
Audit of these financial statements	<u>194,777</u>	<u>200,250</u>

The audit fee for the Group has been borne by the subsidiary entities in both 2018 and 2017.

No other fees were paid to the auditors (2017: nil).

5 Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	469,604	275,504
Company contributions to money purchase pension schemes	53,637	35,853
	<u>523,241</u>	<u>311,357</u>

The aggregate emoluments of the highest paid director was £392,126 (2017: £275,504) and company pension contributions of £50,615 (2017: £35,853) were made to a money purchase scheme.

AMV BBDO Investments Limited

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

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

	2018	2017
	No.	No.
Received or were entitled to receive shares under long term incentive schemes	1	1
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

The Company'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 (2017:1).

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

6 Staff costs

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

	2018	2017
	£	£
Wages and salaries	40,645,162	41,870,060
Share related awards	24,969	209,924
Social security costs	4,966,486	5,099,554
Pension and other post-employment benefit costs	1,684,091	1,534,141
Severance/loss of office	<u>1,193,368</u>	<u>546,818</u>
	<u>48,514,076</u>	<u>49,260,497</u>

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

	2018	2017
	No.	No.
Production	419	446
Administration and support	253	256
Sales	<u>4</u>	<u>4</u>
	<u>676</u>	<u>706</u>

AMV BBDO Investments Limited

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

7 Other interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	-	40,076
Receivable from group undertakings	116,732	12,360
Dividends receivable from preference shares	310,370	310,370
	<u>427,102</u>	<u>362,806</u>

8 Interest payable and similar expenses

	2018 £	2017 £
Other interest payable	-	96
Finance charges payable in respect of finance leases and hire purchase contracts	19,823	11,877
	<u>19,823</u>	<u>11,973</u>

9 Taxation

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
Current tax on income for the period	3,686,383	3,537,729
Adjustments in respect of previous periods	(226,144)	(7,661)
	<u>3,460,239</u>	<u>3,530,068</u>
Deferred taxation		
Origination and reversal of timing differences	41,385	53,095
Effect of decreased tax rate on opening liability	(28,616)	(12,359)
Adjustment in respect of previous periods	(3,651)	22,027
Total deferred taxation	<u>9,118</u>	<u>62,763</u>
Tax expense in the income statement	<u>3,469,357</u>	<u>3,592,831</u>

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

The differences are reconciled below:

AMV BBDO Investments Limited

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

	2018 £	2017 £
Profit before tax	19,676,972	18,862,873
Corporation tax at standard rate	3,738,625	3,631,103
Effect of expense not deductible in determining taxable profit (tax loss)	(19,466)	(40,279)
Deferred tax credit relating to changes in tax rates or laws	(28,616)	(12,359)
(decrease)/Increase in UK deferred tax from a prior period	(3,651)	22,027
Decrease in UK current tax from a prior period	(226,144)	(7,661)
Other tax effects for reconciliation between accounting profit and tax expense (income)	8,609	-
Total tax charge	3,469,357	3,592,831

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

Deferred tax

Group

Deferred tax assets and liabilities

2018	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	301,802
Other timing differences	38,542
	<u>340,344</u>
2017	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	325,174
Other timing differences	24,289
	<u>349,463</u>

AMV BBDO Investments Limited

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

10 Intangible assets

Group

	Software £
Cost	
At 1 January 2018	<u>16,216</u>
At 31 December 2018	<u>16,216</u>
Amortisation	
At 1 January 2018	<u>16,216</u>
At 31 December 2018	<u>16,216</u>
Carrying amount	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

AMV BBDO Investments Limited

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

11 Tangible fixed assets

Group

	Furniture, fittings and equipment £	Office equipment £	Total £
Cost			
At 1 January 2018	2,917,235	5,775,255	8,692,490
Additions	76,998	354,318	431,316
Disposals	(66,673)	(20,759)	(87,432)
At 31 December 2018	2,927,560	6,108,814	9,036,374
Depreciation			
At 1 January 2018	2,894,241	4,916,441	7,810,682
Charge for the year	31,032	370,464	401,496
Disposal	(66,673)	(20,759)	(87,432)
At 31 December 2018	2,858,600	5,266,146	8,124,746
Carrying amount			
At 31 December 2018	68,960	842,668	911,628
At 31 December 2017	22,994	858,814	881,808

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	664,608	422,762

AMV BBDO Investments Limited

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

12 Fixed assets investments

Group

	Other investments other than loans £
Cost	
At 1 January 2018	<u>62,074,000</u>
Carrying amount	
At 31 December 2018	<u>62,074,000</u>

Company

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost			
At 1 January 2018	<u>80,590,134</u>	<u>62,074,000</u>	<u>142,664,134</u>
Carrying amount			
At 31 December 2018	<u>80,590,134</u>	<u>62,074,000</u>	<u>142,664,134</u>
At 31 December 2017	<u>80,590,134</u>	<u>62,074,000</u>	<u>142,664,134</u>

Included in 'Other investments other than loans' is £62,074,000 (2017: £62,074,000) in respect of 0.5% preference shares held in Omnicom Media Group Europe Limited.

For the details of undertakings please see note 22 at the end of these financial statements.

13 Stocks

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Work in progress	<u>13,760,649</u>	<u>16,370,340</u>	<u>-</u>	<u>-</u>

AMV BBDO Investments Limited

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

14 Debtors

		Group		Company	
	Note	2018 £	2017 £	2018 £	2017 £
Trade debtors		23,336,417	24,365,828	-	-
Amounts owed by group undertakings - trading balances		26,839,503	29,481,787	18,944,961	18,634,591
Amounts owed by group undertakings - loans and advances		22,054,581	28,040,527	-	-
Other debtors		772,897	850,318	-	-
Deferred tax assets	9	340,344	349,463	-	-
Prepayments and accrued income		1,018,595	839,668	-	-
		<u>74,362,337</u>	<u>83,927,591</u>	<u>18,944,961</u>	<u>18,634,591</u>

The Group subsidiaries participate in a cash concentration arrangement with fellow subsidiaries of Omnicom Group Inc, Omnicom Finance Limited and Omnicom Financial Services Limited. the Omnicom Europe Limited group's UK treasury operations, under which bank balances are cleared to zero on a daily basis either by the Group's subsidiaries depositing cash with Omnicom Finance Limited and and Omnicom Financial Services Limited or by Omnicom Finance Limited and and Omnicom Financial Services Limited depositing cash with the Group's subsidiaries. Included in 'Amounts owed by group undertakings - loans and advances' is £22,054,581 (2017: £28,040,527) representing cash deposited by the Group's subsidiaries under these arrangements.

AMV BBDO Investments Limited

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

15 Creditors

	<i>Group</i>	
	2018 £	2017 £
Due within one year		
Bank loans and overdrafts	20,745	15,884
Obligations under finance lease and hire purchase contracts	218,637	122,170
Trade creditors	21,585,550	24,044,107
Amounts owed to group undertakings - trading balances	7,281,357	5,324,517
Taxation and social security	3,292,627	4,053,540
Accruals and deferred income	15,111,406	12,746,087
	<u>47,510,322</u>	<u>46,306,305</u>
Due after one year		
Obligations under finance lease and hire purchase contracts	454,906	304,208
Other creditors	650,065	653,620
	<u>1,104,971</u>	<u>957,828</u>

The Company had no creditors at 31 December 2018 (2017: nil).

16 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>90</u>	<u>9</u>	<u>90</u>	<u>9</u>

17 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 £1,684,091 (2017: £1,534,141).

Contributions totalling £273,468 (2017: £214,611) were payable to the scheme at the end of the year and are included in creditors.

AMV BBDO Investments Limited

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

18 Post balance sheet events

On 22nd January 2019 the directors paid a dividend in respect of the year ended 31 December 2018 and prior years totalling £2,000,000.

19 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2017: £Nil).

Operating leases

The principal premises are leased from a fellow group company on terms with no future minimum lease payments. Costs during the year amounted to £8,769,618 (2017: £8,334,792).

The total of future minimum lease payments on non-cancellable leases of other assets is as follows:

	2018	2017
	£	£
Not later than one year	2,056	18,420
Later than one year and not later than five years	-	3,050
	<u>2,056</u>	<u>21,470</u>

20 Related party transactions

Total compensation of key management personnel (including the directors) in the year amounted to £1,439,167 (2017: £2,089,144).

Income and receivables from related parties

	Entities with joint control or significant influence £
2018	
Receipt of services	396,670
Amounts receivable from related party	<u>149,514</u>

AMV BBDO Investments Limited

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

	Entities with joint control or significant influence £
2017	
Receipt of services	643,359
Amounts receivable from related party	<u>78,403</u>
Expenditure with and payables to related parties	
	Entities with joint control or significant influence £
2018	
Rendering of services	1,863,076
Amounts payable to related party	<u>429,717</u>
	Entities with joint control or significant influence £
2017	
Rendering of services	2,564,741
Amounts payable to related party	<u>622,178</u>

21 Parent and ultimate parent undertaking

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

The largest group in which the results of the Company are consolidated is that headed by Omnicom Group Inc. The consolidated accounts of this company are available to the public and may be obtained from Omnicom Group Inc., 437 Madison Avenue, New York, NY10022, USA, or at www.omnicomgroup.com.

No other group accounts include the results of the Company.

AMV BBDO Investments Limited

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

22 Details of undertaking

Subsidiary exemption

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

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

Undertaking	Company number	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity	Registered address
Subsidiary undertakings						
Abbott Mead Vickers.BBDO Limited	1935786	England	Ordinary	100.00	Advertising	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Proximity London Limited	2617496	England	Ordinary	100.00	Direct Marketing	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Redwood Publishing Limited	03582472	England	Ordinary	100.00	Marketing	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England
Abbott Mead Vickers Group Pension Trustee Limited	3276270	England	Ordinary	100.00	Dormant	Bankside 3, 90 - 100 Southwark Street, London, SE1 0SW, England