

Registration number: 04094368

OMD EMEA Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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OMD EMEA Limited

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OMD EMEA Limited

Strategic Report for the year ended 31 December 2019

Section 172 (1) statement

Section 172 of the Companies Act 2006 requires directors to have regard to the following in performing their duties, and as part of the process are required to consider, where relevant:

(a) Decision making and S172 of the Companies Act 2006;

In 2019 Management took the decision to focus on the development of a new brand promise and competitive positioning, Better decisions, faster. Numerous initiatives were undertaken across the business and the joint introduction of a new tech platform (Omni) and media planning process (OMD Design) were two of the key focus areas. OMD combines innovation, creativity, empathy and evidence to make Better decisions, faster on behalf of our clients.

(b) the interests of the company's colleagues;

Our employees are our most important assets and our ability to attract and retain key personnel is fundamental to ensuring that we can deliver to the high standards our clients expect. OMD's culture of collaboration and creativity, underpins everything we do with our clients. The board is committed to making OMD EMEA a great place to work. We run initiatives such as the open Q&A with the CEO, OMD Red (diversity initiative) and monthly meetings for all OMD EMEA staff. We want OMD EMEA to be the place where our colleagues do the best work of their career.

(c) the need to foster the company's business relationships with customers;

Attracting and retaining top talent is paramount to ensuring that our customers are provided with an excellent service. We receive feedback from our clients on an ongoing basis and retaining existing clients and winning new business depends on our ability to service our client's needs in a constantly evolving environment. Clients periodically review their advertising and marketing requirements and put these up for competitive tender. It is the priority of the board to ensure that the company can maintain a competitive advantage by retaining key personnel and maintain a highly skilled workforce to ensure the highest quality of service for our clients.

(d) the need to foster the company's business relationships with suppliers;

The board recognises the need to foster healthy working relationships with our suppliers as well as our customers. Suppliers keep us up to date with their latest offerings so that we can provide the best recommendations to our clients enabling them to make Better decisions, faster.

(e) the impact of the company's operations on the community and the environment;

The OMD THRIVE team coordinate fund raising efforts for charity. In 2019 OMD THRIVE supported Noah's Ark Hospice. Environmental initiatives include the use of consultants to advise on OMD's environmental impact and implementing environmental strategies. Work was carried out with key staff to actively reduce environmental impacts and improve the efficiency of real estate where possible.

(f) the desirability of the company maintaining a reputation for high standards of business conduct; and

Maintaining a reputation for high standards of business conduct is a key priority for Omnicom and OMD EMEA Ltd. Our success doesn't just come from our talent, our creativity or the work we do. Our success also comes from the way we work and the way we interact with others - with a solid commitment to integrity. Our Code of Business Conduct, which was significantly enhanced in 2018, underscores our commitment to upholding the highest ethical standards. It spells out what we value, what we believe and the policies that Omnicom expects us all to uphold. All staff were required to complete mandatory ethics and business conduct training in 2019 and this is being repeated periodically going forward.

OMD EMEA Limited

Strategic Report for the year ended 31 December 2019

(g) the need to act fairly and transparently with members of the group.

OMD EMEA Ltd is fully owned by Omnicom Media Group Europe Ltd. Financial performance and compliance is reported to Omnicom Media Group Europe Ltd on a monthly basis. The management of Omnicom Media Group Europe Ltd are consulted on key management decisions at OMD EMEA Ltd.

The directors present their strategic report for the year ended 31 December 2019.

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

The directors expect the current level of activity to continue for the foreseeable future. The Company's directors use performance indicators, such as revenue (gross profit), operating margin and headcount to revenue ratio, that assess the development, performance and position of the business.

Revenues have grown 13.1% as a result of organic growth from retaining and growing existing clients as well as new business wins. The gross profit margin has increased to 97.75% from 97.63%. The company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Gross Profit Margin	%	97.75	97.63
Payroll to Revenue	%	59.29	58.18
Operating Profit Margin	%	9.88	8.60

At the end of the year the Company had net current assets of £29,876,176 (2018: £25,854,362). The directors consider that the Company has access to sufficient funding to meet its funding requirements 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.

Approved by the Board on ~~4 Nov 2020~~ and signed on its behalf by:

David Jeremiah

D. Jeremiah
Director

OMD EMEA Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Going Concern

The Directors continue to adopt the going concern basis for the preparation of the financial statements. This conclusion was reached following the review of the 2020 and 2021 financial forecasts. We have a broad portfolio of large global clients operating across different geographies and industries, and as demand for our services adjusts we continue to manage our cost base accordingly. Whilst uncertainties around Covid 19 still exist, we have a reasonable expectation that we will continue to operate successfully for the foreseeable future and continue as a going concern.

Principal activity

The principal activity of the company is media consultancy.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Directors of the company

The directors who held office during the year, and to the date of the report, were as follows:

D. Jeremiah

G. Marks

Political and charitable donations

During the year the company made political donations of £nil (2018: £nil). Donations to charity amounted to £1,481 (2018: £1,493).

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Relationships with suppliers and customers

The board recognises the need to foster healthy working relationships with our suppliers as well as our customers. Suppliers keep us up to date with their latest offerings so that we can provide the best recommendations to our clients enabling them to make Better decisions, faster.

Post balance sheet events

In the Directors' judgement the outbreak of COVID-19 has not required any post-balance sheet adjustment to be made to, or specific disclosure of the potential impact of the virus to be provided in respect of, any of OMD EMEA's balance sheet assets and liabilities reported as at 31 December 2019, although there is an evident economic risk exposure for its business in 2020 and potentially beyond.

OMD EMEA Limited

Directors' Report for the year ended 31 December 2019

Disclosure of information to the auditors

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

Approved by the Board on 4 Nov 2020 and signed on its behalf by:

David Jeremiah
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D. Jeremiah
Director

Bankside 3
90 - 100 Southwark Street
London
SE1 0SW

OMD EMEA Limited

Statement of Directors' Responsibilities in respect of the strategic report, the directors' 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;
- 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.

Independent Auditor Report to the Members of OMD EMEA Limited

Opinion

We have audited the financial statements of OMD EMEA Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, 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 company's affairs as at 31 December 2019 and of its 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 company 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 company or to cease its operations, and as they have concluded that 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 its 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 Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

- 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.

Independent Auditor Report to the Members of OMD EMEA Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities in respect of the strategic report, the directors' report and the financial statements [set out on page 5], 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 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 company or to cease operations, or have no realistic alternative but to do so.

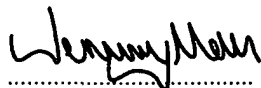
Auditor responsibilities

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.



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

Date: 04/11/20.....

OMD EMEA Limited

Profit and Loss Account for the year ended 31 December 2019

	Note	2019 £	2018 £
Gross billings		577,495,029	530,546,424
Rebillable costs		<u>(530,158,657)</u>	<u>(488,681,898)</u>
Turnover	2	47,336,372	41,864,526
Direct costs		<u>(1,064,871)</u>	<u>(990,556)</u>
Gross profit		46,271,501	40,873,970
Administrative expenses		(41,615,268)	(37,287,888)
Other operating income		<u>-</u>	<u>13,152</u>
Operating profit	3	4,656,233	3,599,234
Other interest receivable and similar income	7	<u>187,738</u>	<u>97,089</u>
Profit before taxation		4,843,971	3,696,323
Tax on profit	8	<u>(671,544)</u>	<u>(1,004,737)</u>
Profit after taxation		<u><u>4,172,427</u></u>	<u><u>2,691,586</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

OMD EMEA Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £	2018 £
Profit for the year		<u>4,172,427</u>	<u>2,691,586</u>
Total comprehensive income for the year		<u>4,172,427</u>	<u>2,691,586</u>

OMD EMEA Limited

(Registration number: 04094368)
Balance Sheet as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	9	428,995	290,091
Current assets			
Debtors	10	241,392,763	223,535,336
Cash at bank and in hand		<u>5</u>	<u>13,629</u>
		241,392,768	223,548,965
Creditors: Amounts falling due within one year	11	<u>(211,516,592)</u>	<u>(197,694,603)</u>
Net current assets		<u>29,876,176</u>	<u>25,854,362</u>
Total assets less current liabilities		30,305,171	26,144,453
Creditors: Amounts falling due after more than one year	11	<u>(158,676)</u>	<u>(170,385)</u>
Net assets		<u>30,146,495</u>	<u>25,974,068</u>
Capital and reserves			
Called up share capital	12	1	1
Retained earnings		<u>30,146,494</u>	<u>25,974,067</u>
Total equity		<u>30,146,495</u>	<u>25,974,068</u>

Approved by the Board on 4 Nov 2020 and signed on its behalf by:

David Jeremiah

D. Jeremiah

Director

OMD EMEA Limited

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital £	Retained earnings £	Total £
At 1 January 2019	<u>1</u>	<u>25,974,067</u>	<u>25,974,068</u>
Profit for the year	<u>-</u>	<u>4,172,427</u>	<u>4,172,427</u>
Total comprehensive income	<u>-</u>	<u>4,172,427</u>	<u>4,172,427</u>
At 31 December 2019	<u>1</u>	<u>30,146,494</u>	<u>30,146,495</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2018	<u>1</u>	<u>23,282,481</u>	<u>23,282,482</u>
Profit for the year	<u>-</u>	<u>2,691,586</u>	<u>2,691,586</u>
Total comprehensive income	<u>-</u>	<u>2,691,586</u>	<u>2,691,586</u>
At 31 December 2018	<u>1</u>	<u>25,974,067</u>	<u>25,974,068</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

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.

OMD EMEA is a private company limited by share capital incorporated, domiciled and registered in England in the UK. The registered number is 04094368 and the registered address is Bankside 3, 90-100 Southwark Street, London SE1 0SW.

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..

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

1 Accounting policies (continued)

Going concern

The Company has net current assets of £29,876,176 at 31 December 2019 (2018: £25,854,362). 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/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/Omnicom Financial Services Limited or by Omnicom Finance Limited/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.

Omicom 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.OmicomGroup.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.

Furthermore, the adoption of the going concern basis by the Directors has been deemed appropriate after reviewing the financial forecasts for the 12 months following approval of these financial statements. The Directors recognise that, at the date of approving these financial statements, given the varying lockdown measures taking place in the UK and globally as a result of the current Coronavirus pandemic, the full impact of the outbreak is unknown at this time and is unpredictable. The Directors have considered the severe but plausible downsides resulting from the pandemic. These include a reduction in media spends across most clients. OMD EMEA Limited will continue to manage its cost base closely whilst continuing to provide a high level of service in line with client expectations. Based on current knowledge the Directors expect OMD EMEA to be able to meet liabilities as they fall due.

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 billable costs.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

1 Accounting policies (continued)

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, revenue comprises fees and commissions earned in respect of gross billings and direct costs, which meet the Companies Act definition of turnover. Revenue is recognised when services are performed, in accordance with terms of arrangements reached with each client. Turnover is stated exclusive of VAT, sales taxation and trade discounts. Substantially all income occurs in the UK.

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 and losses on transaction 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, 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
Leasehold improvements	Life of lease
Furniture, fittings, tools and equipment	3-5 years
Office Equipment	3-5 years

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.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

1 Accounting policies (continued)

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.

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.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. During the year OMD EMEA has recognised a provision of £0 (2018: 0).

Leases

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

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.

Defined contribution pension obligation

A defined contribution is a post-employment benefit plan under which the company pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which the services are rendered by the employee.

Share based payments

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

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

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

1 Accounting policies (continued)

Financial instruments

Classification

Financial Instruments are classified and accounted for, according to the substance of the contractual arrangement, as

financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2 Turnover

	2019	2018
	£	£
UK	16,432,169	12,530,957
Europe	20,006,913	19,058,360
Rest of world	10,897,291	10,275,209
	<u>47,336,372</u>	<u>41,864,526</u>

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.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

3 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£	£
Depreciation and other amounts written off tangible fixed assets: owned	143,163	96,457
Foreign exchange (gains) / losses	(72,169)	(37,758)
Hire of other assets - rentals payable	3,410,903	1,647,206
Rental income	<u>(1,192,918)</u>	<u>-</u>

4 Auditor's remuneration

	2019	2018
	£	£
Audit of the financial statements	<u>50,000</u>	<u>30,193</u>

5 Directors' remuneration

The directors are not remunerated specifically for their services to OMD EMEA Limited.

6 Staff costs

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

	2019	2018
	£	£
Wages and salaries	23,339,314	19,902,717
Share related awards	12,092	4,551
Social security costs	2,923,782	2,509,217
Pension and other post-employment benefit costs	1,794,358	1,184,483
Severance/loss of office	-	757,000
	<u>28,069,546</u>	<u>24,357,968</u>

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

6 Staff costs (continued)

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

	2019 No.	2018 No.
Administration and support	36	36
Other departments	430	356
	<u>466</u>	<u>392</u>

7 Other interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	-	(32,492)
Receivable from group undertakings	187,738	129,581
	<u>187,738</u>	<u>97,089</u>

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

8 Taxation

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

	2019 £	2018 £
Current taxation		
Current tax on income for the period	972,598	779,274
Adjustments in respect of previous periods	<u>(335,407)</u>	<u>222,602</u>
	<u>637,191</u>	<u>1,001,876</u>
Deferred taxation		
Origination and reversal of timing differences	32,805	3,198
Effect of increased/decreased tax rate on opening liability	<u>1,548</u>	<u>(337)</u>
Total deferred taxation	<u>34,353</u>	<u>2,861</u>
Tax expense in the profit and loss account	<u><u>671,544</u></u>	<u><u>1,004,737</u></u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>4,843,971</u>	<u>3,696,323</u>
Corporation tax at standard rate	920,354	702,301
Effect of expense not deductible in determining taxable profit (tax loss)	86,597	80,171
Deferred tax expense (credit) relating to changes in tax rates or laws	-	(337)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	<u>(335,407)</u>	<u>222,602</u>
Total tax charge	<u><u>671,544</u></u>	<u><u>1,004,737</u></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. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. The deferred tax asset at 31 December 2019 has been calculated based on these rates.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

8 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £
2019	
Difference between accumulated depreciation and amortisation and capital allowances	8,169
Other timing differences	4,738
	12,907
2018	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	46,834
Other timing differences	426
	47,260

9 Tangible fixed assets

	Furniture, fittings and equipment £	Office equipment £	Total £
Cost or valuation			
At 1 January 2019	3,667	521,648	525,315
Additions	3,604	321,735	325,339
At 31 December 2019	7,271	843,383	850,654
Depreciation			
At 1 January 2019	1,397	233,827	235,224
Charge for the year	1,820	141,343	143,163
Transfers	-	43,272	43,272
At 31 December 2019	3,217	418,442	421,659
Carrying amount			
At 31 December 2019	4,054	424,941	428,995
At 31 December 2018	2,270	287,821	290,091
Assets held under finance leases and hire purchase contracts			

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

9 Tangible fixed assets (continued)

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

	2019	2018
	£	£
Office Equipment	<u>331,683</u>	<u>214,914</u>

10 Debtors

	Note	2019	2018
		£	£
Trade and other debtors		148,818,372	84,743,107
Amounts owed by group undertakings - trading balances		10,594,311	18,848,378
Amounts owed by group undertakings - loans and advances		58,943,996	71,267,318
Other debtors		16,530,574	46,945,563
Deferred tax assets	8	12,907	47,260
Prepayments and accrued income		<u>6,492,603</u>	<u>1,683,710</u>
		<u>241,392,763</u>	<u>223,535,336</u>

The Company participates in a cash concentration arrangement with its fellow subsidiaries, Omnicom Finance Limited and Omnicom Financial Services Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited/Omicom Financial Services Limited or by Omnicom Finance Limited/Omicom Financial Services Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £58,943,996 (2018: £71,267,318) representing cash deposited by the Company under these arrangements.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

11 Creditors

	Note	2019 £	2018 £
Due within one year			
Obligations under finance lease and hire purchase contracts		171,042	80,374
Trade and other creditors		102,239,131	66,496,710
Amounts owed to group undertakings - trading balances		102,760,123	124,453,160
Amounts owed to group undertakings - loans and advances		63,300	15,638
Taxation and social security		2,003,576	347,666
Accruals and deferred income		<u>4,279,420</u>	<u>6,301,055</u>
		<u>211,516,592</u>	<u>197,694,603</u>
Due after one year			
Obligations under finance lease and hire purchase contracts		<u>158,676</u>	<u>170,385</u>

12 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13 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 £1,794,358 (2018 - £1,184,483). Contributions amounting to £74,458 (2018: £47,180) were payable to the scheme and are included in creditors.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

14 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 2009. It is anticipated that the full vesting period for options will be three years. The option grants become exercisable 30% on each of the first two anniversary dates of the grant date with the final 40% becoming exercisable three years from the grant date.

The fair value of services received in return for shares and share options granted to employees, is measured by reference to the fair value of shares and share options granted. As permitted by FRS 20, the Company has applied the requirements of this standard to all share based payment awards granted after 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes formula.

During the year ended 31 December 2019, the Company recognised an expense of £12,092 (2018: £nil) in respect of outstanding share awards.

The options outstanding at the year-end have an exercise price of \$23.40 and a weighted average contractual life of 10 years.

	2009
Fair value at measurement date \$	3.51
Weighted average share price \$	23.40
Exercise price \$	23.40
Expected volatility (expressed as 5 year historical monthly used in the modelling under Black Scholes model)	19.61%
Option life in years	5
Expected dividends	2.458%
Risk-free interest rate (based on national government bonds)	1.67%

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.

OMD EMEA Limited

Notes to the Financial Statements for the year ended 31 December 2019

14 Share-based payments (continued)

	2019	2019	2018	2018
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	-	-	23.40	6,000
Granted	23.40	2,378	-	-
Exercised	(23.40)	(61)	-	-
Lapsed	-	-	-	-
Forfeited	-	-	23.40	(6,000)
Outstanding options at end of the year	-	2,317	23.40	-
Exercisable at end of the year	-	2,317	23.40	-

15 Related party transactions

Summary of transactions with subsidiaries

At 31 December 2019, 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.

16 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.

17 Post balance sheet events

In the Directors' judgement the outbreak of COVID-19 has not required any post-balance sheet adjustment to be made to, or specific disclosure of the potential impact of the virus to be provided in respect of, any of OMD EMEA's balance sheet assets and liabilities reported as at 31 December 2019, although there is an evident economic risk exposure for its business in 2020 and potentially beyond.