

RAPP Limited

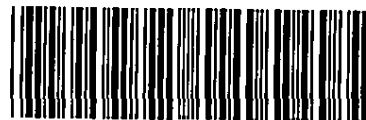
Directors' report and financial statements

Registered number 1581935

31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities

The company is a data driven marketing services business and part of the global RAPP network. It specialises in developing and executing integrated marketing and communications strategies encompassing CRM programmes, direct response marketing, creative and digital services. The full service nature of the business means it can offer integrated online and offline strategies including media planning and buying and related ancillary services, as well as marketing consultancy. The directors do not envisage any change in the nature of the company's business in the foreseeable future.

Business review

Financial Performance

The key indicators that we focus on are revenue, staff costs, operating margin and administrative expenses. As a service business, we monitor these costs on a percentage of revenue basis. Staff costs tend to fluctuate in conjunction with changes in revenue, whereas administrative expenses, which are not directly related to servicing clients, tend to decrease as a percentage of revenue as revenue increases because a significant portion of these expenses are relatively fixed in nature. During 2012, the staff cost to revenue ratio reduced to 47% (2011 53%).

We measure operating expenses in two distinct costs categories: overhead staff costs and all other administrative expenses. Staff costs are primarily comprised of salaries, social security and employer pension contributions. While office and general expenses are primarily composed of rent and occupancy costs, technology related costs and depreciation.

The operating profit was £6,006,921 up from 2011 by 110% reflecting a lower underlying cost base. Likewise, our operating margin was 14.8% for 2012 (2011 7.4%). We are hopeful that we will be able to improve margins as a result of current new business wins, our continued new business initiatives and on-going focus on cost management.

There were no exceptional costs in 2012; however, during the 2011 calendar year the company incurred an exceptional cost of £2,447,508 as a result of repositioning charges, primarily due to the closure of a line of business that provided ancillary print and fulfilment services.

Administrative expenses, net of staff costs, were 27% of revenue compared to 30% in 2011. 2012 will see a continuing focus on driving operational efficiencies.

Omnicom Group's UK banking arrangements are managed on a zero-balance basis. As a consequence, the company's overdraft balance is disclosed as an intercompany creditor with the Group's UK treasury company, Omnicom Finance Plc.

Directors' report

Risk factors

The businesses in which we participate are highly competitive. Key competitive considerations for keeping existing business and winning new business include our ability to develop creative solutions that meet client needs, the quality and effectiveness of the services we offer, and our ability to serve clients efficiently. While many of our client relationships are long standing, companies put their advertising and marketing business up for competitive review from time to time. We have won and lost accounts in the past as a result of these reviews. To mitigate some of the risks associated with client competitive reviews, cyclicalities and other fluctuations in marketing spend from industry to industry, we continue to maintain and pursue a diverse client base. To the extent that we are not able to remain competitive, our revenue may be adversely affected, which could then affect our results of operations and financial condition.

In addition, we may lose or fail to attract and retain key personnel. Our employees are our most important assets and the ability to retain key personnel is an important aspect of our competitiveness. Our continuing ability to attract and retain those employees is important to the business and if we are unable to do so our ability to provide services in the manner our customers have come to expect may be adversely affected. This could harm our reputation and result in a loss of client, which could have a material adverse effect on the results of operations and financial condition.

Dividends

On 22nd August 2012 the directors paid an interim dividend in respect of the year ended 31 December 2012 of £0.74 per share totalling £1,465,000 (2011: £570,000). A final dividend of £3,515,000 was approved and paid post year end, on 1st March 2013.

Directors

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

I. Haworth
P. Mitchell (resignation 22 May 2012)
M. Scognamiglio
J. C. B. Whitworth
D. Gillespie
S. Nolan

Employees

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political and charitable contributions

The Company made no political contributions during the year. Donations to charities amounted to £5,104 (2011: £10,387).

Directors' report

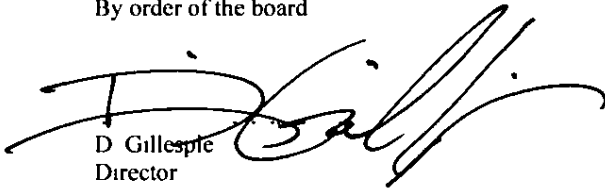
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are individually unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information

Auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board

A handwritten signature in black ink, appearing to read 'D. Gillespie', is written over the printed name and title.

D Gillespie
Director

1 Riverside
Manbre Road
London
W6 9WA

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws 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)

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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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.

KPMG Audit Plc

15 Canada Square
Canary Wharf
E14 5GL
London

Independent Auditor Report to the Members of RAPP Limited

We have audited the financial statements of RAPP Limited for the year ended 31 December 2012 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities in respect of the Directors' report and the financial statements (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

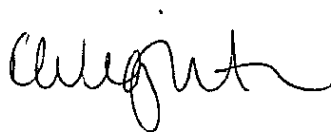
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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, 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



Karen Wightman (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
4 June 2013

Profit and loss account

for the year ended 31 December 2012

	Note	2012 £	2011 £
Gross billings		75,717,170	72,238,054
Rebillable costs		<u>(35,318,170)</u>	<u>(33,374,161)</u>
Revenue	2	40,399,000	38,863,893
Direct costs		<u>(4,703,516)</u>	<u>(3,690,640)</u>
Gross profit		35,695,484	35,173,253
Administrative expenses		(29,714,025)	(32,308,729)
Other operating income		<u>25,462</u>	<u>-</u>
Operating profit		6,006,921	2,864,524
Exceptional items	4	-	(2,447,508)
Income from shares in group undertakings		124,339	-
Other interest receivable and similar income	7	564	2,653
Interest payable and similar charges	8	<u>(3,958)</u>	<u>(58,203)</u>
Profit on ordinary activities before taxation	3	6,127,866	361,466
Tax on profit on ordinary activities	9	<u>(1,571,339)</u>	<u>(56,866)</u>
Profit for the financial year	19	<u><u>4,556,527</u></u>	<u><u>304,600</u></u>

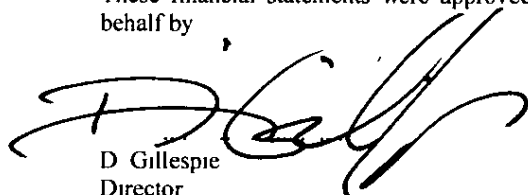
The results shown above are derived wholly from continuing operations. There were no recognised gains or losses in either the current or prior year except as shown above. Consequently, a statement of total recognised gains and losses has not been prepared.

Balance sheet

as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible fixed assets	11	66,972	81,809
Tangible fixed assets	12	934,448	1,198,524
Investments	13	60,000	60,000
		<u>1,061,420</u>	<u>1,340,333</u>
Current assets			
Stocks	14	949,594	1,359,240
Debtors	15	23,472,279	19,644,837
Cash at bank and in hand		2,038	3,798
		<u>24,423,911</u>	<u>21,007,875</u>
Creditors Amounts falling due within one year	16	(16,109,128)	(15,824,296)
Net current assets		<u>8,314,783</u>	<u>5,183,579</u>
Total assets less current liabilities		9,376,203	6,523,912
Creditors Amounts falling due after more than one year	17	(327,648)	(491,464)
Net assets		<u>9,048,555</u>	<u>6,032,448</u>
Capital and reserves			
Called up share capital	18	497,907	497,907
Share premium account	19	1,208,054	1,208,054
Profit and loss account	19	7,342,594	4,326,487
Equity shareholders' funds		<u>9,048,555</u>	<u>6,032,448</u>

These financial statements were approved by the board of directors on 29/05/2013 and were signed on its behalf by


D Gillespie
Director

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2012

	2012 £	2011 £
Profit attributable to the members of the company	4,556,527	304,600
Dividends on shares classified as shareholders' funds	<u>(1,465,000)</u>	<u>(570,000)</u>
Retained profit/(loss)	<u>3,091,527</u>	<u>(265,400)</u>
Share based payments expense	14,734	55,252
Recharge from Omnicom Group Inc in respect of share based payments	<u>(90,154)</u>	<u>(223,604)</u>
	(75,420)	(168,352)
Shareholders' funds at 1 January	<u>6,032,448</u>	<u>6,466,200</u>
Shareholders' funds at 31 December	<u><u>9,048,555</u></u>	<u><u>6,032,448</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

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

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is included in the consolidated accounts of a larger group headed by Omnicom Group Inc, a parent undertaking established under the law of the United States of America. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Omnicom Group Inc, which includes the Company in its own published consolidated financial statements.

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 subsidiary, Omnicom Finance plc, the group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc or by Omnicom Finance plc 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 plc, is able to make this commitment because Omnicom Finance plc is a co-borrower with Omnicom Finance Inc and Omnicom Capital Inc under certain group bank facilities which are more fully described in the Omnicom Group Inc financial statements filed on Form 10-K and available at www.OmnicomGroup.com.

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

As the Company is a wholly owned subsidiary of Omnicom Group Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Omnicom Group Inc, within which this Company is included, can be obtained from the address given in note 23.

Notes

(continued)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	-	10% to 15% on cost or over period of lease, or over the period to the first rent review if shorter
Leasehold land and buildings	-	Over period to first rent review or period of the lease
Furniture and equipment	-	15% to 33 3% per annum
Computer hardware	-	33 3% per annum

Foreign currencies

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

Leases

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

Post-retirement benefits

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

Notes

(continued)

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

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. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. 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.

The amount recognised as an expense is adjusted to reflect the actual numbers of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Amounts reimbursed by the Company to Omnicom Group Inc in respect of these options are recognised as a distribution directly to equity.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost consists of direct expenses incurred on unbilled work. Net realisable value is based on estimated sales value less further costs to completion.

Work in progress consists of amounts spent by the Company on behalf of its clients which have not been recharged to clients by the end of the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within shareholders' funds

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.

Notes

(continued)

2 Revenue

Revenue is split by activity/ class of business below

	Turnover	
	2012	2011
	£	£
By activity/class of business		
eCRM, Digital and Data revenues	24,706,720	23,607,051
Other marketing services	15,692,280	15,256,842
	<u>40,399,000</u>	<u>38,863,893</u>
By geographical market (by destination)		
United Kingdom	36,537,152	33,448,599
Continental Europe	3,083,578	4,244,819
Rest of World	778,270	1,170,475
	<u>40,399,000</u>	<u>38,863,893</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated

after charging

	2012	2011
	£	£
Depreciation and other amounts written off tangible fixed assets owned	405,933	570,221
Amortisation of intangibles	43,116	83,193
Exchange losses	38,792	89,371
Hire of plant and machinery - rentals payable under operating leases	291,277	291,491
Hire of other assets - rentals payable under operating leases	<u>1 876,615</u>	<u>1,931,039</u>

Auditor remuneration

	2012	2011
	£	£
Audit of these financial statements	<u>108 332</u>	<u>97,000</u>

Notes

(continued)

4 Exceptional items

Exceptional items from continuing operations

	2012	2011
	£	£
Loss on disposal of fixed assets	-	920,806
Hire of plant and machinery - rentals payable under operating leases		213,310
Hire of other assets - rentals payable under operating leases	-	60,750
Other premises costs	-	465,435
Other charges including severance costs	-	787,207
	<u>-</u>	<u>2,447,508</u>

During the year ended 31 December 2011, the Company incurred a one-off exceptional cost of £2,447,508 as a result of repositioning charges, primarily due to the closure of a line of business that provided ancillary print and fulfillment services

5 Remuneration of directors

	2012	2011
	£	£
Directors' emoluments	940,250	1,231,782
Amounts paid to third parties in respect of directors' services	227,752	218,716
Amounts receivable under long term incentive schemes	58,641	277,609
	<u>1,226,643</u>	<u>1,728,107</u>
Company contributions to money purchase pension schemes	21,362	21,362
	<u>1,248,005</u>	<u>1,749,469</u>

The amounts paid to third parties in respect of directors' services includes £45,377 (2011 £31,285) of accommodation costs

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £564,797 (2011 £549,509), and Company pension contributions of £21,362 (2011 £12,000) were made to a money purchase scheme

During the year, there were no share options granted to directors (2011 nil) and options with a value of £340,420 (2011 £277,608) were exercised (See note 22 - share based payments for details of the plan)

During the year, the highest paid director exercised share options with a value of £193,783

Notes

(continued)

Retirement benefits are accruing to the following number of directors under

	2012	2011
	No	No.
Money purchase schemes	<u>2</u>	<u>2</u>
The number of directors who exercised share options was	<u>2</u>	<u>2</u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	<u>2</u>	<u>2</u>

6 Staff numbers and costs

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

	Number of employees	
	2012	2011
Technical	297	335
Finance and administration	<u>56</u>	<u>62</u>
	<u>353</u>	<u>397</u>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£	£
Wages and salaries	16,845,579	18,224,774
Share related awards	14,734	55,252
Social security costs	2,149,666	2,144,879
Other pension costs	<u>329,203</u>	<u>366,763</u>
	<u>19,339,182</u>	<u>20,791,668</u>

7 Other interest receivable and similar income

	2012	2011
	£	£
Bank interest receivable	<u>564</u>	<u>2,653</u>

Notes

(continued)

8 Interest payable and similar charges

	2012	2011
	£	£
Payable to group undertakings	<u>3,958</u>	<u>58,203</u>

9 Taxation

Analysis of charge in period

	2012	2011
	£	£
UK corporation tax		
Current tax on income for the period	1,454,769	311,463
Adjustments in respect of prior periods	<u>30,140</u>	<u>(221,671)</u>
Total current tax	<u>1,484,909</u>	<u>89,792</u>
Deferred tax (see note 15)		
Origination/reversal of timing differences	(158,768)	(162,550)
Effect of decreased tax rate on opening asset	19,367	22,519
Adjustment in respect of previous years	<u>225,831</u>	<u>107,105</u>
Total deferred tax charge/ (credit)	<u>86,430</u>	<u>(32,926)</u>
Tax on profit on ordinary activities	<u><u>1,571,339</u></u>	<u><u>56,866</u></u>

Notes

(continued)

Factors affecting current tax charge for the year

The current tax charge for the period is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)

The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	6,127,866	361,466
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	1,501,327	95,788
Expenses not deductible for tax purposes	46,553	53,126
Capital allowances for period less than depreciation	4,517	213,065
Other timing differences	(70,775)	(50,516)
Adjustments to tax charge in respect of previous periods	30,140	(221,671)
Dividend income not subject to corporation tax	(30,463)	-
Total current tax charge (see above)	1,481,299	89,792

Accounting periods ending after the substantive enactment of the reduction to 24% and 23%

On 21 March 2012 the Chancellor revised the previously announced reduction in the main rate of UK corporation tax to 24 per cent with effect from 1 April 2012 and a further reduction to 23 per cent with effect from 1 April 2013. These changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively and therefore the effect of these rate reductions creates a reduction in the deferred tax asset which has been included in the figures above.

The Chancellor proposed a further change to reduce the main rate of corporation tax to 21 per cent with effect from 1 April 2014, but this change has not yet been substantively enacted and therefore is not included in the figures above. The overall effect of the further reduction from 23 per cent to 21 per cent, if this applied to the deferred tax balance at 31 December 2012, would be to further reduce the deferred tax asset by approximately £25k.

10 Dividends and other appropriations

Dividends on shares classified as shareholders' funds

	2012 £	2011 £
Interim dividend paid	1,465,000	570,000

The directors of the company authorised a final dividend for the year ended 31 December 2012 of £3,515,000. This was approved and paid 1st March 2013.

Notes
(continued)

11 Intangible fixed assets

	Software £
Cost	
At 1 January 2012	710,933
Additions	<u>28,279</u>
At 31 December 2012	<u>739,212</u>
Amortisation	
At 1 January 2012	629,124
Charge for the year	<u>43,116</u>
At 31 December 2012	<u>672,240</u>
Net book value	
At 31 December 2012	<u>66,972</u>
At 31 December 2011	<u>81,809</u>

12 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation			
At 1 January 2012	3,816,466	594,509	4,410,975
Additions	<u>63,071</u>	<u>78,786</u>	<u>141,857</u>
At 31 December 2012	<u>3,879,537</u>	<u>673,295</u>	<u>4,552,832</u>
Depreciation			
At 1 January 2012	2,851,144	361,307	3,212,451
Charge for the year	<u>264,528</u>	<u>141,405</u>	<u>405,933</u>
At 31 December 2012	<u>3,115,672</u>	<u>502,712</u>	<u>3,618,384</u>
Net book value			
At 31 December 2012	<u>763,865</u>	<u>170,583</u>	<u>934,448</u>
At 31 December 2011	<u>965,322</u>	<u>233,202</u>	<u>1,198,524</u>

Notes

(continued)

13 Fixed asset investments

Shares in group undertakings and participating interests

	Shares in group undertakings £
Cost	
At 1 January 2012	60,000
At 31 December 2012	<u>60,000</u>
Net book value	
At 31 December 2012	<u>60,000</u>
At 31 December 2011	<u>60,000</u>

Details of undertakings

The principal companies in which the company's interest at the year end is more than 20% are as follows

Undertaking	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Subsidiary undertakings				
Rapp CDS EMEA Ltd (formerly Optima Direct Rapp Collins Limited)	UK	Dormant	Ordinary	100%

14 Stock

	2012 £	2011 £
Stocks	<u>949,594</u>	<u>1,359,240</u>

Notes

(continued)

15 Debtors

	2012	2011
	£	£
Trade debtors	17,126,178	15,200,568
Amounts owed by group undertakings - trading balances	642,405	909,478
Amounts owed by group undertakings - loans and advances	2,500,369	-
Taxation and social security	22,969	-
Other debtors	1,864,367	1,772,462
Deferred tax assets	190,236	276,668
Prepayments and accrued income	1,125,755	1,485,661
	<u>23,472,279</u>	<u>19,644,837</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, 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 plc or by Omnicom Finance plc depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £2,500,369 representing amounts owed to the Company under these arrangements. (In 2011 £1,776,267 was owed by the Company and included within creditors)

	Deferred tax asset £
At beginning of year	276,668
Adjustments in respect of prior periods	(225,831)
Effect of change in tax rate	(19,367)
Charged to the profit and loss account	158,766
Total	<u>190,236</u>

Deferred tax

The movement in the deferred tax asset in the year is as follows

Analysis of deferred tax

	2012	2011
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	206,817	438,721
Other timing differences	(16,581)	(162,053)
	<u>190,236</u>	<u>276,668</u>

Notes

(continued)

16 Creditors: Amounts falling due within one year

	2012 £	2011 £
Trade creditors	5,866,334	4,442,202
Amounts owed to group undertakings - trading balances	1,294,972	1,945,014
Amounts owed to group undertakings - loans and advances	60,000	1,776,267
Taxation and social security	2,895,730	1,242,055
Accruals and deferred income	5,992,092	6,418,758
	<u>16,109,128</u>	<u>15,824,296</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, 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 plc or by Omnicom Finance plc depositing cash with the Company. Included in debtors is £2,500,369 representing amounts owed to the Company under these arrangements. (In 2011 £1,776,267 was owed by the Company and included within creditors)

17 Creditors: Amounts falling due after more than one year

	2012 £	2011 £
Other creditors	<u>327,648</u>	<u>491,464</u>

18 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
Equity 1,991,628 Ordinary shares of £ 0.25 each	<u>497,907</u>	<u>497,907</u>

Notes

(continued)

19 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2012	1,208,054	4,326,487	5,534,541
Profit for the year	-	4,556,527	4,556,527
Dividends	-	(1,465,000)	(1,465,000)
Share based payments expense	-	14,734	14,734
Recharge from Omnicom Group Inc in respect of share based payments	-	(90,154)	(90,154)
At 31 December 2012	<u>1,208,054</u>	<u>7,342,594</u>	<u>8,550,648</u>

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2012		2011	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	-	101,967	64,848	33,862
In the second to fifth years inclusive	2,025,493	146,083	1,985,452	282,085
	<u>2,025,493</u>	<u>316,530</u>	<u>2,050,300</u>	<u>315,947</u>

21 Pension schemes

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £329,203 (2011: £366,763).

Contributions amounting to £112,072 (2011: £60,531) were payable to the scheme and are included in creditors.

Notes

(continued)

22 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 and December 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 2012, the Company recognised an expense of £14,734 (2011: £55,252) in respect of outstanding share awards.

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

	2009
Fair value at measurement date \$	3.511
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	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.

The number and weighted average exercise prices of share options in Omnicom Group Inc held by RAPP Ltd company employees are as follows:

Notes

(continued)

	2012	2012	2011	2011
	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
At beginning of year	23 40	24,000	23 40	42,000
Granted	-	-	-	-
Exercised	23 40	(21,000)	23 40	(18,000)
Lapsed	-	-	-	-
Forfeited	-	-	-	-
Outstanding options at end of the year	23 40	3,000	23 40	24,000
Exercisable at end of the year	23 40	3,000	-	-

The payment arising in relation to the linked recharge from Omnicom Group Inc in relation to these share options for the year was £90,154 (2011 £223,604)

The weighted average share price at the date of exercise of share options exercised during the year was \$49 45 (2011 \$48 57)

23 Ultimate parent company

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. No other group accounts include the results of the company.