

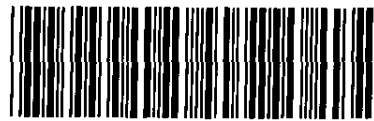
Registration number: 1581935

Rapp Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2021

FRIDAY



ABJFN7SQ

A08

23/12/2022

#136

COMPANIES HOUSE

Rapp Limited

Contents

Strategic Report	1 to 2
Directors' Report	3 to 4
Statement of Directors' Responsibilities in respect of the annual report and the financial statements	5
Profit and Loss Account	6
Balance Sheet	7 to 8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 to 24

Rapp Limited

Strategic Report for the year ended 31 December 2021

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

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

The directors carry out their duties jointly and individually whilst giving full and considered regard to the key stakeholders of the Company in accordance with section 172 of the Companies Act 2006. Factors that affect the stakeholders of the Company are identified and considered at regular board meetings by the directors and by employee groups and third parties, responsible for advising the directors on certain matters.

The principle stakeholders the directors have consideration for are the Company's employees, shareholders, clients, sister companies and suppliers. Conflicts between the needs of these groups are resolved by the directors with the interests of the Company's long term status as a going concern in mind. Shareholder and sister company engagement is managed via the Company's parent company Omnicom, client needs are managed through dedicated relationship owners and employees are managed via a tiered management structure and open communication.

The directors ensure the highest standard of business conduct and ethics are upheld within the frameworks required by its parent company Omnicom and that of its clients and partners. Always keeping in mind the impact that reputational damage will have on the Company directly or indirectly to the going concern if caused to key stakeholders. The directors ensure policies of diversity and inclusion across its employees and employment practices, to the benefit of all current and future employees. Diversity and inclusion employment policies are demanded by key stakeholders such that their adoption supports the Company's position as a going concern.

Fair review of the business

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 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.

We measure operating expenses in two distinct cost 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.

During 2021 and including the trading results of Proximity London Limited, purchased by the Company on 31st October 2020 and having a full year effect in 2021; revenue increased by 63.1% on 2020, gross profit increased by 52.0% and operating margins decreased to 4%. This gave rise to an operating profit of £3,207,807 and profit after tax of £2,020,705.

Administrative expenses, net of staff costs were 33% of revenue (37% in 2021) the business continues to seek efficiencies in its cost base.

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

Rapp Limited

Strategic Report for the year ended 31 December 2021

Principal Risks and uncertainties

The economy and client budgets have significant impact on our business. The market in which we participate is highly competitive with a number of key competitive considerations for keeping existing business and winning new business and include our ability to service clients effectively. 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 risks associated with the 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 operation and financial conditions.

In addition, we may lose or fail to attract 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 provide services in the manner our customers have come to expect may be adversely affected, which could harm our reputation and result in client loss, which could have a material adverse effect on the results of operations and financial condition.

The effects of Covid-19 are greatly reduced and any reliance we have on clients with significantly impacted operations and with marketing budgets compromised accordingly is all but eradicated. The ongoing effects of Covid-19 are a workforce operating flexible working arrangements, continuing to combine remote working with attendance at Company offices. Company travel and expenses are increasing although we remain below pre Covid-19 levels on many cost lines.

Global inflationary pressures are being felt, but at this point are not impacting operations or trading results significantly. We are seeing greater mobility of staff and cost pressure on wages, increasing costs and impacting retention of employee talent. Inflationary pressure is we suspect being felt by clients, who are seeking fee reductions and are at times slower to sign off budgets.

With a number of large automotive clients we have felt some impacts to revenues from them as a result of the global shortage of micro-chips affecting car sales. This has had an impact on client budgets and marketing spend with us, although this is hard to quantify and levels experienced would not significantly impact trading results. Again, we are insulated from our diverse client base in this regard.

The UK left the EU and Eurozone single market on the 1st of January 2021. The directors view is that impacts to the Company felt by the UK's departure from the EU has been and will continue to be limited. Services provided to clients are not expected to be affected by border changes, or resulting changes in demand profile. The directors continue to monitor the labour market and affects caused by reduction in labour supply from the EU, continue to be assessed as minimal.

Approved and authorised by the Board on 14 Sep 2022 and signed on its behalf by:



M. Scognamiglio
Director

Rapp Limited

Directors' Report for the year ended 31 December 2021

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

Principal activity

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.

Political and charitable donations

During the year 2021 the company made no political donations (2020: £nil). Donations to charity amounted to £7,207 (2020: £7,349).

Employee involvement

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.

Director of the company

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

M. Scognamiglio

S. Takla

C. Freeland

J.M.W. Betts

P. Tomlinson (appointed 3 August 2021)

Relationships with suppliers and customers

Delivering on the Company's strategy requires strong and mutually beneficial relationships with suppliers, clients and others. The directors continuously act with regard to building and maintaining such relationships. Conflicts can occur between the short term needs of the shareholders for the Company to deliver profits with the needs of employees, clients and suppliers. The effects on the engagement and long term relationships with these parties, to the extent that it will impact the going concern of the Company are the key considerations in focus as the directors form their decisions.

Rapp Limited

Directors' Report for the year ended 31 December 2021

Engagement with employees

The directors place high importance on employee engagement which its leadership structure reflects with Human Resource and Talent leadership represented at the highest levels. The directors include employee engagement matters on the agenda of all leadership meetings and place an emphasis on engagement as one of their key strategic goals.

The directors have numerous channels for information sharing with employees, including regular email updates from leadership, weekly newsletter updates, monthly "all company" meetings in which updates are provided on matters including HR, finance, new business and client work. The directors also encourage regular team meetings where information can be shared to specific teams and groups of employees.

In response to the threat of remote working on employee engagement, the directors have increased the cadence of information sharing with its employees and promoted an increase in online meetings. The directors have provided welfare support and advice on ways of working and provided meeting and informal communication structures to enable better engagement and collaboration.

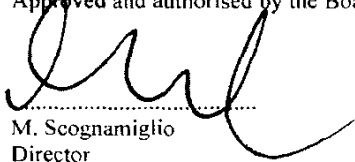
Employment of disabled persons

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 persons should, as far as possible, be identical with that of other employees.

Dividends

On 20 December 2021 the directors paid a dividend of £1.76 per share totalling £3,500,000 (2020: £nil).

Approved and authorised by the Board on 14 Sep 2022 and signed on its behalf by:



M. Scognamiglio
Director

Bankside 3
90 - 100 Southwark Street
London
SE1 0SW

Rapp Limited

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Rapp Limited

Profit and Loss Account for the year ended 31 December 2021

	Note	2021 £	2020 £
Gross billings		95,987,114	65,200,282
Rebillable costs		<u>(13,784,515)</u>	<u>(14,813,104)</u>
Revenue	2	82,202,599	50,387,178
Direct costs		<u>(12,427,881)</u>	<u>(4,485,426)</u>
Gross profit		69,774,718	45,901,752
Administrative expenses		(66,566,911)	(42,871,768)
Other operating income		<u>-</u>	<u>200,388</u>
Operating profit	3	3,207,807	3,230,372
Interest payable and similar expenses	6	<u>(233,789)</u>	<u>(187,590)</u>
Profit before taxation		2,974,018	3,042,782
Tax on profit	7	<u>(953,313)</u>	<u>(572,572)</u>
Profit for the financial year		<u>2,020,705</u>	<u>2,470,210</u>

The results shown above are derived wholly from continuing operations. The company has no recognised gains or losses for the year other than the results above. Consequently, a statement of comprehensive income has not been prepared.

Rapp Limited

(Registration number: 1581935)
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	13,814,979	14,651,544
Tangible assets	10	<u>669,754</u>	<u>817,380</u>
		<u>14,484,733</u>	<u>15,468,924</u>
Current assets			
Stocks	11	2,010,265	1,686,462
Debtors (including £364,155 (2020: £202,418) due after more than one year)	12	23,765,555	24,318,092
Cash at bank and in hand		<u>1,160</u>	<u>1,189</u>
		25,776,980	26,005,743
Creditors: Amounts falling due within one year	13	<u>(22,476,682)</u>	<u>(21,922,832)</u>
Net current assets		<u>3,300,298</u>	<u>4,082,911</u>
Total assets less current liabilities		17,785,031	19,551,835
Creditors: Amounts falling due after more than one year	13	<u>(329,167)</u>	<u>(279,308)</u>
Net assets		<u>17,455,864</u>	<u>19,272,527</u>
Capital and reserves			
Called up share capital	14	497,907	497,907
Share premium account		1,208,054	1,208,054
Capital contribution reserve		8,584,196	8,584,196
Retained earnings		<u>7,165,707</u>	<u>8,982,370</u>
Total equity		<u>17,455,864</u>	<u>19,272,527</u>

For the year ending 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

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

The notes on pages 10 to 24 form an integral part of these financial statements.

Rapp Limited

(Registration number: 1581935)
Balance Sheet as at 31 December 2021

Approved by the Board on 14 Sep 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. Scognamiglio', written over a dotted line.

M. Scognamiglio

Director

Rapp Limited

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

	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2021	497,907	1,208,054	8,584,196	8,982,370	19,272,527
Profit for the year	-	-	-	2,020,705	2,020,705
Total comprehensive income	-	-	-	2,020,705	2,020,705
Dividends	-	-	-	(3,500,000)	(3,500,000)
Share-based payments expense	-	-	-	43,032	43,032
Recharge from Omnicom Group Inc in respect of share based payments	-	-	-	(380,400)	(380,400)
At 31 December 2021	497,907	1,208,054	8,584,196	7,165,707	17,455,864
	Share capital £	Share premium £	Capital Contribution reserve £	Retained earnings £	Total £
At 1 January 2020	497,907	1,208,054	-	6,400,809	8,106,770
Profit for the year	-	-	-	2,470,210	2,470,210
Total comprehensive income	-	-	-	2,470,210	2,470,210
Share-based payments expense	-	-	-	8,628	8,628
Recharge from Omnicom Group Inc in respect of share based payments	-	-	-	102,723	102,723
Capital contribution	-	-	8,584,196	-	8,584,196
At 31 December 2020	497,907	1,208,054	8,584,196	8,982,370	19,272,527

The notes on pages 10 to 24 form an integral part of these financial statements.

Rapp Limited

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

1 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's financial statements.

Basis of preparation

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

The company is a private company limited by share capital incorporated, domiciled and registered in England in the United Kingdom.

The financial statements are presented in sterling the Company's functional currency.

Summary of disclosure exemptions

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

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

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

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

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

Rapp Limited

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

Going concern

The Company has net current assets of £2,971,131 as at 31 December 2021 (2020: £4,082,911). The financial statements have been prepared on a going concern basis which the directors consider to be appropriate as the directors consider that the Company will have access to sufficient funding to meet its needs for the reasons set out below.

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance Limited, the group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited or by Omnicom Finance Limited depositing cash with the Company. The Company's access to borrowings under the cash concentration arrangement is not limited as long as these borrowings are required in the normal course of business and are made in accordance with the Omnicom Group Inc Grant of Authority and includes a period of at least 12 months from the date of approval of these financial statements.

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

The directors consider the combination of the group facilities and expected funding requirements of the Omnicom Group Inc. and its subsidiaries provides sufficient access to funding to ensure that the Company is able to meet its liabilities as they fall due for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Accordingly, the directors have prepared the financial statements as a going concern.

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.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year..

Gross Billings

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

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

Rebillable costs

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

Rapp Limited

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

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the Company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tax

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

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 Company operates and generates taxable income.

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.

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

Leasehold improvements

Furniture, fittings and equipment

Depreciation method and rate

10% to 15% on cost or over the period of the lease or over the period to the first rent break if shorter

15% to 33.3% per annum

Intangible assets

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets are stated in the balance sheet at cost less accumulated amortisation and impairment. They are amortised on a straight line basis over their estimated useful lives.

Rapp Limited

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

Amortisation

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

Asset class	Amortisation method and rate
Goodwill	10 Years
Software	2-5 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.

Trade and other debtors

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

Trade and other 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.

Stocks

Work in progress is stated at the lower of cost and net realisable value. Cost consists of direct expenses incurred on unbilled work. Net realisable value is based on estimated sales value less further costs to completion. Work in progress consists of amounts spent by the Company and its subsidiaries on behalf of its clients which have not been recharged to clients by the end of the year.

Trade and other creditors

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Leases

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.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised on the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rapp Limited

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

Share capital

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

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

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

Government grants

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

2 Revenue

The whole of the Company's gross billings, revenue and operating profit for the year related to its principal activity, which was that of a data driven marketing services business, and which was carried out in the United Kingdom.

The analysis of the Company's revenue by geographic location by destination for the year from continuing operations for rendering of services is as follows:

	2021	2020
	£	£
UK	62,434,316	33,971,355
Europe	7,968,242	5,318,478
Rest of world	11,800,041	11,097,345
	<u>82,202,599</u>	<u>50,387,178</u>
	2021	2020
	£	£
eCRM, Digital & Data Revenues	64,726,045	25,910,073
Marketing Technology	9,943,775	13,991,319
Other Marketing Services	7,532,779	10,485,786
	<u>82,202,599</u>	<u>50,387,178</u>

Rapp Limited

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

3 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation and other amounts written off tangible fixed assets: owned	288,573	251,141
Amortisation of goodwill	858,420	143,070
Amortisation of software	1,754,434	1,177,120
Foreign exchange gains/losses	162,177	25,682
Profit/loss on disposal of property, plant and equipment	-	24,808
Hire of plant and machinery - rentals payable	7,791	-
Hire of other assets - rentals payable	4,949,242	2,661,329
Operating lease expense - property	-	220,440

Included in operating profit are Government Grants of £nil received from the Coronavirus Job Retention Scheme (2020: £200,388).

4 Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	597,500	389,550
Amounts receivable under long term incentive schemes	21,351	38,250
	<u>618,851</u>	<u>427,799</u>
Company contributions to money purchase pension schemes	23,975	10,056
	<u>642,826</u>	<u>437,855</u>

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	332,500	389,550
Benefits under long-term incentive schemes (excluding shares)	21,351	38,250
Company contributions to money purchase pension schemes	<u>9,975</u>	<u>10,056</u>

During the year the highest paid director did not exercise share options.

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 one director (2020: 1)

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

Rapp Limited

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

5 Staff costs

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

	2021 £	2020 £
Wages and salaries	33,905,935	20,767,347
Share related awards	163,422	117,949
Social security costs	3,821,971	2,713,861
Pension and other post-employment benefit costs	1,308,431	865,848
Severance/loss of office	195,144	-
	<u>39,394,903</u>	<u>24,465,005</u>

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

	2021 No.	2020 No.
Administration and support	65	83
Other departments	471	435
	<u>536</u>	<u>518</u>

6 Interest payable and similar expenses

	2021 £	2020 £
Payable to group undertakings	214,374	172,842
Finance charges payable in respect of finance leases and hire purchase contracts	19,415	14,748
	<u>233,789</u>	<u>187,590</u>

Rapp Limited

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

7 Taxation

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

	2021 £	2020 £
Current taxation		
Current tax on income for the period	971,303	698,156
Adjustments in respect of previous periods	<u>119,847</u>	<u>-</u>
	1,091,150	698,156
Overseas tax suffered	<u>23,900</u>	<u>-</u>
Total current income tax	<u>1,115,050</u>	<u>698,156</u>
Deferred taxation		
Origination and reversal of timing differences	(153,179)	(116,545)
Effect of increased/decreased tax rate on opening liability	-	(9,039)
Adjustment in respect of previous periods	<u>(8,558)</u>	<u>-</u>
Total deferred taxation	<u>(161,737)</u>	<u>(125,584)</u>
Tax expense in the profit and loss account	<u>953,313</u>	<u>572,572</u>

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

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>2,974,018</u>	<u>3,042,782</u>
Corporation tax at standard rate	565,063	578,129
Effect of expense not deductible in determining taxable profit (tax loss)	253,061	3,482
Deferred tax credit relating to changes in tax rates or laws	-	(9,039)
Increase in UK and foreign current tax from unrecognised temporary difference from a prior period	119,847	-
Deferred tax credit from unrecognised temporary difference from a prior period	(8,558)	-
Tax increase arising from overseas tax suffered/expensed	<u>23,900</u>	<u>-</u>
Total tax charge	<u>953,313</u>	<u>572,572</u>

A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated at 25% (2020: 19%).

Rapp Limited

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

Deferred tax

Deferred tax assets and liabilities

2021	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	153,179
Other timing differences	<u>210,976</u>
	<u>364,155</u>
2020	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	176,119
Other timing differences	<u>26,299</u>
	<u>202,418</u>

8 Dividends

	2021 £	2020 £
Dividend of £1.76 (2020 - £Nil) per ordinary share	<u>3,500,000</u>	<u>-</u>

Rapp Limited

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

9 Intangible assets

	Goodwill £	Software £	Total £
Cost or valuation			
At 1 January 2021	8,584,196	8,743,540	17,327,736
Additions	-	2,291,866	2,291,866
Disposals	-	(953,639)	(953,639)
At 31 December 2021	<u>8,584,196</u>	<u>10,081,767</u>	<u>18,665,963</u>
Amortisation			
At 1 January 2021	143,070	2,533,122	2,676,192
Amortisation charge	858,420	1,754,431	2,612,851
Disposals	-	(438,059)	(438,059)
At 31 December 2021	<u>1,001,490</u>	<u>3,849,494</u>	<u>4,850,984</u>
Carrying amount			
At 31 December 2021	<u>7,582,706</u>	<u>6,232,273</u>	<u>13,814,979</u>
At 31 December 2020	<u>8,441,126</u>	<u>6,210,418</u>	<u>14,651,544</u>

Rapp Limited

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

10 Tangible fixed assets

	Leasehold improvements £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2021	453,340	2,219,405	2,672,745
Additions	11,761	335,059	346,820
Disposals	(287,984)	-	(287,984)
At 31 December 2021	<u>177,117</u>	<u>2,554,464</u>	<u>2,731,581</u>
Depreciation			
At 1 January 2021	223,683	1,631,682	1,855,365
Charge for the year	11,514	277,059	288,573
Disposal	(82,111)	-	(82,111)
At 31 December 2021	<u>153,086</u>	<u>1,908,741</u>	<u>2,061,827</u>
Carrying amount			
At 31 December 2021	<u>24,031</u>	<u>645,723</u>	<u>669,754</u>
At 31 December 2020	<u>229,657</u>	<u>587,723</u>	<u>817,380</u>

Assets held under finance leases and hire purchase contracts

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

	2021 £	2020 £
Fixtures, fittings and equipment	<u>546,382</u>	<u>470,090</u>

11 Stocks

	2021 £	2020 £
Work in progress	<u>2,010,265</u>	<u>1,686,462</u>

Rapp Limited

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

12 Debtors

	Note	2021 £	2020 £
Trade and other debtors		9,705,280	9,161,700
Amounts owed by group undertakings - trading balances		3,681,251	3,533,775
Amounts owed by group undertakings - loans and advances		8,123,210	9,188,085
Other debtors		12,562	15,726
Deferred tax assets	7	364,155	202,418
Prepayments and accrued income		<u>1,879,097</u>	<u>2,216,388</u>
		<u>23,765,555</u>	<u>24,318,092</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited or by Omnicom Finance Limited depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £8,123,210 (2020: £9,188,085) representing cash deposited by the Company under these arrangements.

13 Creditors

	2021 £	2020 £
Due within one year		
Obligations under finance lease and hire purchase contracts	239,277	200,105
Trade and other creditors	2,431,403	1,404,562
Amounts owed to group undertakings - trading balances	4,628,070	2,741,615
Amounts owed to group undertakings - loans and advances	1,458,235	5,490,585
Taxation and social security	3,508,269	4,366,724
Accruals and deferred income	<u>10,211,428</u>	<u>7,719,241</u>
	<u>22,476,682</u>	<u>21,922,832</u>
Due after one year		
Obligations under finance lease and hire purchase contracts	<u>329,167</u>	<u>279,308</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance Limited, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance Limited or by Omnicom Finance Limited depositing cash with the Company. Included in Amounts owed to group undertakings - loans and advances is £nil (2020: £4,493,182) representing cash borrowed by the Company under these arrangements.

Rapp Limited

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

14 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary Shares of £0.25 each	1,991,628	497,907	1,991,628	497,907

15 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 £1,308,431 (2020 - £865,848).

16 Share-based payments

Omnicom Group Inc (the ultimate parent of the Company) runs a share ownership programme that allows group employees to acquire shares in Omnicom Group Inc. Options were awarded in March 2017 and November 2021. It is anticipated that the full vesting period for options will be three years. The option grants all become exercisable three years from the grant date.

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

During the year ended 31 December 2021, the Company recognised an expense of £43,032 (2020: £8,628) in respect of outstanding share awards.

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

	2017	2021
Fair value at measurement date	\$9.87	\$8.47
Weighted average share price	\$73.27	\$73.27
Exercise price	\$84.94	\$72.47
Expected volatility (expressed as 5 year historical monthly used in the modelling under Black Scholes model)	16.3%	23.0%
Option life remaining	1.5 years	8 years
Expected dividends	2.6%	4.6%
Risk-free interest rate (based on national government bonds)	2.0%	1.4%

Rapp Limited

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

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 Limited company employees are as follows:

	2021 Weighted average exercise price \$	2021 Number of options	2020 Weighted average exercise price \$	2020 Number of options
At beginning of year	84.94	10,000	84.94	10,000
Granted	72.47	125,000		
Exercised				
Lapsed				
Transferred				
Outstanding options at end of the year	73.39	135,000	84.94	10,000
Exercisable at end of the year	84.94	10,000	84.94	10,000

The liability arising in relation to the linked recharge from Omnicom Group Inc in relation to these share options for the year was £460,208 (2020: £102,723 asset).

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

17 Commitments

Non-cancellable operating lease rentals are payable as follows:

Operating leases

The Company's principal premises are leased from a fellow group company on terms with no future minimum lease payments.

Rapp Limited

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

18 Related party transactions

Summary of transactions with subsidiaries

At 31 December 2021, the Company's ultimate parent undertaking was Omnicom Group Inc. The shareholders of the Company have interest directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 102 Section 33.

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.

19 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.

The Financial Statements are available upon request from Omnicom Group Inc's registered address, 280 Park Avenue, New York, NY 10017, United States.

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