

Bernard Hodes Group Limited

Directors' report and financial statements

Registered number 1835151

31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The company operates principally as a provider of an integrated range of recruitment services including recruitment advertising, executive search and selection, print and design, response management, on-line recruitment marketing, web design and build and specialist consulting services focussed on strategic resourcing and employee engagement and retention

Business review

1) Principal risks and uncertainties

There are certain risks and uncertainties that are outside the control of the company, inter alia the performance of the UK economy, levels of consumer confidence and levels of recruitment activity in the markets in which we operate, which would have an impact on the performance of the company

In addition, clients are increasingly migrating their recruitment marketing spending from traditional media to digital media and from requiring their suppliers to provide transactional agency services to partnering with suppliers to improve their attraction, retention and engagement of employees. The company continues to address this change by focussing on the need to change its brand positioning from pure recruitment to recognition as a partner across the employee life-cycle

2) Performance and development review

In 2007 two operating units within the company performed on target or above but one unit had a disappointing year losing touch with its target from the second quarter. Despite efforts to manage costs in this area to compensate for revenue shortfalls there was an impact on profit, overshadowing the strong performance in other parts. The actions taken - including strengthening operational management - have however ensured that this business unit is in far better shape for 2008

The directors are satisfied with the trading results for the year and have considered the financial position of the company

Revenues have decreased by £151,384 from £11,037,213 to £10,885,829. Direct costs have also decreased as a proportion of revenue from 21.5% to 21.0%. Administrative expenses have increased from £8,042,317 to £8,576,918

Operating profit has decreased by £589,283 to £28,097. Interest receivable has increased by £16,474 as the net cash position of the Company has increased from £1,088,891 to £1,556,048

At the end of the year the Company had net current assets of £875,631 (2006 £792,240)

3) KPI's

Net margin	0.3%	(2006 2.5%)	(Profit on ordinary activities before tax / Gross billings)
Revenue growth	(1.4%)	(2006 5.5%)	(Revenue growth on a year by year basis)
Direct costs to revenue	21.0%	(2006 21.5%)	(Direct costs as a percentage of Revenue)
Headcount	120	(2006 123)	

Directors' Report (Continued)

Results

Gross billings for the year amounted to £22,484,872 (2006 £25,174,028), and the profit after tax for the year was £27,811 (2006 £404,591) The profit and loss account is shown on page 6

Directors

The directors who held office during the year were as follows

H L Rosethorn

C R Cooke (Resigned 29/10/2007)

A W Wreford

C Whitworth

Political and charitable contributions

The company made no political contributions during the year (2006 £nil) Donations to UK charities amounted to £300 (2006 £990)

Disclosure of information to auditors

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 auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By Order Of The Board



H L Rosethorn
Director

239 Old Marylebone Road
London
NW1 5QT

29th May 2008

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 law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK general accepted accounting practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Bernard Hodes Group Limited

We have audited the financial statements of Bernard Hodes Group Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

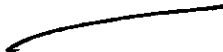
Independent auditors' report to the members of Bernard Hodes Group Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc



KPMG Audit Plc
Chartered Accountants
Registered Auditor

29th May 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Gross billings	<i>1</i>	22,484,872	25,174,028
Rebillable costs	<i>1</i>	(11,599,043)	(14,136,815)
		<hr/>	<hr/>
Revenue	<i>1,2</i>	10,885,829	11,037,213
Direct costs		(2,280,814)	(2,377,516)
		<hr/>	<hr/>
Gross profit		8,605,015	8,659,697
Administrative expenses		(8,576,918)	(8,042,317)
		<hr/>	<hr/>
Operating profit		28,097	617,380
Other interest receivable and similar income	<i>6</i>	32,409	15,935
Interest payable and similar charges	<i>7</i>	(711)	(442)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2-7</i>	59,795	632,873
Tax on profit on ordinary activities	<i>8</i>	(31,984)	(228,282)
		<hr/>	<hr/>
Profit for the financial year		27,811	404,591
		<hr/>	<hr/>

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.

The notes on page 9 to 18 form part of the financial statements.

Balance sheet
 at 31 December 2007

	Note	2007	2006
		£	£
Fixed assets			
Tangible assets	10	104,804	160,284
Investments	11	-	100
		<u>104,804</u>	<u>160,384</u>
Current assets			
Stock	12	47,123	95,443
Debtors	13	5,286,809	4,307,777
Cash at bank and in hand		1,556,048	1,088,891
		<u>6,889,980</u>	<u>5,492,111</u>
Creditors amounts falling due within one year	14	(6,014,349)	(4,699,871)
		<u>875,631</u>	<u>792,240</u>
Net current assets			
		<u>980,435</u>	<u>952,624</u>
Net assets			
		<u>980,435</u>	<u>952,624</u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Capital contribution reserve	16	600,000	600,000
Profit and loss account	16	370,435	342,624
		<u>980,435</u>	<u>952,624</u>
Equity shareholders' Funds			
		<u>980,435</u>	<u>952,624</u>

The notes on pages 9 to 18 form part of these financial statements

These financial statements were approved by the board of directors on 29th May 2008 and were signed on its behalf by



H L Rosethorn
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2007

	2007	2006
	£	£
Profit for the financial year	27,811	404,591
Dividends on shares classified as shareholders' funds	-	(466,000)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	27,811	(61,409)
Opening shareholders' funds	952,624	1,014,033
	<hr/>	<hr/>
Closing shareholders' funds	980,435	952,624
	<hr/>	<hr/>

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

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

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 20

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

Revenue

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 the terms of arrangements reached with each client Gross billings and revenue are stated exclusive of VAT, sales taxes and trade discounts

Direct costs

Direct costs include amounts payable to external suppliers where they are retained at the company's discretion to perform part of a specific client project or service where the company has full exposure to the benefits and risks of the contract with the client

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost, net of depreciation and any provision for impairment

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	-	shorter of the life of lease or estimated useful economic life
Fixtures and fittings	-	2 to 6 years
Computer equipment	-	3 to 7 years

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.

Operating leases

Rentals under operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments are carried at cost less provision for impairment.

Post-retirement benefits

The company operates a defined contribution pension scheme in which senior employees of the company participate. 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.

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.

Notes (continued)

2 Segmental information

	2007 £	2006 £
United Kingdom	10,549,952	10,076,747
Rest of Europe	225,149	848,593
North America	108,211	108,119
Rest of World	2,516	3,754
	<u>10,885,828</u>	<u>11,037,213</u>

The company has a single class of business which is the provision of an integrated range of recruitment services including recruitment advertising, executive search and selection, print and design, response management, on-line recruitment marketing, web design and build and specialist consulting services focussed on strategic resourcing and employee engagement and retention

3 Profit on ordinary activities before taxation

	2007 £	2006 £
Profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets (see note 10)	92,858	106,589
Hire of plant and machinery - rentals payable under operating leases	98,974	111,386
Hire of other assets - operating leases	325,202	279,909
Auditors' remuneration audit of the financial statements	29,579	23,386

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Omnicom Europe Limited

Notes (continued)

4 Remuneration of directors

	2007 £	2006 £
Directors' emoluments	233,940	177,613
Company contributions to money purchase pension schemes	9,800	9,800
Amounts receivable under Long term Incentive schemes	1,124	5,629
Compensation for loss of office	30,000	-
	<u>274,864</u>	<u>193,042</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £154,900 (2006 £158,275), and company pension contributions of £9,800 (2006 £9,800) were made to a money purchase scheme

	Number of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	<u>1</u>	<u>1</u>

5 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	
	2007	2006
Administration	16	14
Operational	104	109
	<u>120</u>	<u>123</u>

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	5,324,914	5,080,989
Social security costs	596,020	582,265
Other pension costs	9,800	9,800
	<u>5,930,734</u>	<u>5,673,054</u>

Notes (continued)

6 Other interest receivable and similar income

	2007 £	2006 £
Other interest receivable	<u>32,409</u>	<u>15,935</u>

7 Interest payable and similar charges

	2007 £	2006 £
On bank loans and overdrafts	<u>711</u>	<u>442</u>

8 Taxation

Analysis of charge in period

	£	2007 £	£	2006 £
<i>UK corporation tax</i>				
Current tax on income for the period	30,171		201,654	
Adjustments in respect of prior periods	-		25,335	
	<u> </u>		<u> </u>	
Total current tax		30,171		226,989
 Deferred tax (see note 13)				
Origination/reversal of timing differences	(1,150)		1,293	
Effect of increased/decreased tax rate	2,963		-	
	<u> </u>		<u> </u>	
Total deferred tax		1,813		1,293
		<u> </u>		<u> </u>
Tax on profit on ordinary activities		31,984		228,282
		<u> </u>		<u> </u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	59,795	632,873
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	17,939	189,862
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	11,082	10,750
Depreciation for the year in excess of capital allowances	1,150	1,042
Adjustments to tax charge in respect of previous periods	-	25,335
	<hr/>	<hr/>
Total current tax charge (see above)	30,171	226,989
	<hr/>	<hr/>

9 Dividends and other appropriations

	2007 £	2006 £
Dividends on shares classified as shareholders' funds		
Interim dividend paid	-	466,000
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At beginning of year	145,593	55,497	513,133	714,223
Additions	3,800	9,154	24,424	37,378
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	149,393	64,651	537,557	751,601
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	93,994	36,090	423,855	553,939
Charge for year	24,482	6,946	61,430	92,858
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	118,476	43,036	485,285	646,797
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2007	30,917	21,615	52,272	104,804
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	51,599	19,407	89,278	160,284
	<hr/>	<hr/>	<hr/>	<hr/>

11 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2007	171
Disposals	(171)
	<hr/>
At 31 December 2007	-
	<hr/>
Provisions	
At 1 January 2007	(71)
Disposals	71
	<hr/>
At 31 December 2007	-
	<hr/>
Net book value	
At 31 December 2007	-
	<hr/>
At 31 December 2006	100
	<hr/>

Notes (continued)

The company had an investment in the ordinary share capital of the following subsidiary undertaking up until 5th June 2007, when it was struck off

	Country of incorporation	Principal activity	Class of shares held	Percentage of shares
Macmillan Davies Hodes Consultants Limited	UK	Dormant	Ordinary	100%

12 Stock

	2007 £	2006 £
Work in progress	<u>47,123</u>	<u>95,443</u>

13 Debtors

	2007 £	2006 £
Trade debtors	2,920,136	2,212,860
Amounts owed by group undertakings	1,431,680	1,453,985
Other debtors	11,677	5,709
Deferred tax assets	42,142	43,955
Prepayments and accrued income	881,174	591,268
	<u>5,286,809</u>	<u>4,307,777</u>

Debtors included within prepayments and accrued income of £11,250 (2006 £11,750) due after more than one year

The elements of deferred taxation are as follows

	2007 £	2006 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>42,142</u>	<u>43,955</u>
Deferred tax asset at beginning of the year	43,955	45,248
Charged to profit and loss account for the year	(1,813)	(1,293)
	<u>42,142</u>	<u>43,955</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	3,470,747	2,868,823
Amounts owed to group undertakings	454,300	435,652
Taxation and social security	799,956	521,310
Accruals and deferred income	1,289,346	874,086
	<u>6,014,349</u>	<u>4,699,871</u>

15 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
Equity 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
Equity 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

16 Reserves

	Capital contribution reserve £	Profit and loss account £
At beginning of year	600,000	342,624
Profit for the year	-	27,811
	<u>600,000</u>	<u>370,435</u>
At end of year	<u>600,000</u>	<u>370,435</u>

17 Contingent liabilities

The company together with certain other group companies has entered into a cash pooling arrangement with HSBC Bank plc. HSBC Bank plc has the right to apply positive cash balances of the company against indebtedness or liabilities of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

Notes (continued)

18 Commitments

- (a) There were no capital commitments outstanding at either year end
- (b) Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	3,442	22,613	3,500	14,050
In the second to fifth years inclusive	97,400	53,713	87,550	47,835
Over five years	30,500	-	30,500	-
	<u>131,342</u>	<u>76,326</u>	<u>121,550</u>	<u>61,885</u>

19 Pension scheme

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 £9,800 (2006 £9,800)

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

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 smallest group in which they are consolidated is that headed by Omnicom Europe Limited. The consolidated accounts of these groups are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY 10022, USA, or Companies House, Crown Way, Cardiff, CF14 3UZ, respectively