

# Bernard Hodes Group Limited

Directors' report and financial statements

Registered number 01835151

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

Bernard Hodes Group is a global specialist in employment marketing and employee communications. We help organisations attract, engage, retain and inspire the talent they need to meet their business goals. To do this we offer a range of services which include recruitment and employee communications, employer brand research and development and the engagement of employees from candidate to alumni.

### Business review

#### *Principal risks and uncertainties*

There are certain risks and uncertainties which are outside the control of the company such as the performance of the UK economy, business confidence and the levels of recruitment activity in the markets in which we operate, which all have an impact on the performance of the company.

In 2012 the economic climate continued to present the business with significant challenges and clients were in the main cautious about their budgets, keen to reduce spend where possible and to try wherever possible to develop and deliver solutions to their needs in-house.

Our ability to retain key personnel remains fundamental to our competitiveness but also in a business which is evolving we need to attract new skills. We continued to reshape our skills base through the year but we were subject to an element of unforeseen turnover and absence due to maternity leave.

We continue to track the engagement and development of our employees and to be seen to practice what we set out as best practice for our clients.

#### *Performance and development review*

Whilst the economic climate impacted client spend with us in 2012, the shift in revenues away from transactional activities to strategic consulting and digital engagement of candidates and employees continued. Consulting revenues in employer branding and employee engagement grew particularly in the sphere of global employer brand development and activation - and we continued to innovate through our digital and social media strategy and product development. We had some significant client wins but we also chose not to retender for some client accounts where we felt the return would dilute our margin growth.

#### *Strategic alignment with Fleishman Hillard*

Following the divestment of MDH at the end of 2011 we recognised that we had an opportunity to focus purely on our employer brand, recruitment, communications, engagement and change management activities - and also to look at where we might align our capabilities to offer a more holistic reputation offering. As a result we announced at the end of 2012 that we would integrate the business into the EMEA division of Fleishman Hillard, the fourth largest element within the Omnicom Group Inc and the largest constituent part of its Diversified Agency Services division. This integration will take place during 2013 with Bernard Hodes continuing to trade as a separate legal entity under its well known and respected brand and as a distinct Fleishman Hillard business unit.

At the end of the year the Company had net liabilities of £211,616 (2011 net assets £421,742). The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out in note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

## Directors' report

### Dividends

The directors do not recommend the payment of a dividend (2011 £Nil)

### KPI's

The company's key financial and other performance indicators during the year were as follows

	Unit	2012	2011
Operating margin*	%	(17)	(14)
Revenue growth	%	(35)	(19)
Direct costs to revenue	%	15	23
Headcount		39	67

\*The Operating margin KPI is calculated as Operating Loss/Gross Billings

### Directors

The directors who held office during the year were as follows

H L Rosethorn

ICB Whitworth

### Political and charitable contributions

The Company made no political contributions or donations to charities during the year (2011 £432)

### 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 is 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 is aware of that information

## Directors' report

### Auditor

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

On behalf of the board



H L Rosethorn  
Director

239 Old Marylebone Road  
London  
NW1 5QT

26 July 2013

## **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.

## **Independent Auditor's 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 2012 set out on pages 7 to 21. 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 website at [www.frc.org.uk/auditscopeukprivate](http://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 loss 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

*Grant Thornton UK LLP*

Peter Smithson (Senior Statutory Auditor)  
For and on behalf of Grant Thornton UK LLP Statutory Auditor  
London

Date *26 July 2013*



## Profit and loss account

*for the year ended 31 December 2012*

	Note	2012 £	2011 £
Gross billings		4,499,177	7,725,308
Rebillable costs		<u>(1,301,714)</u>	<u>(2,806,695)</u>
Revenue	2	3,197,463	4,918,613
Direct costs		<u>(482,080)</u>	<u>(1,134,381)</u>
Gross profit		2,715,383	3,784,232
Administrative expenses		(3,499,514)	(4,674,325)
Exceptional items	4	<u>-</u>	<u>(184,240)</u>
Operating loss		(784,131)	(1,074,333)
Other interest receivable and similar income	7	50	195
Interest payable and similar charges	8	<u>(49,891)</u>	<u>(83,250)</u>
Loss on ordinary activities before taxation	3	(833,972)	(1,157,388)
Tax on profit or loss on ordinary activities	9	<u>200,614</u>	<u>251,002</u>
Loss for the financial year	16	<u>(633,358)</u>	<u>(906,386)</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 £
<b>Fixed assets</b>			
Intangible fixed assets	10	14 735	14 491
Tangible fixed assets	11	<u>34 523</u>	<u>41,831</u>
		<u>49,258</u>	<u>56 322</u>
<b>Current assets</b>			
Stocks	12	568	3,863
Debtors	13	2,186,998	3,273,471
Cash at bank and in hand		<u>858</u>	<u>859</u>
		2,188,424	3,278 193
Creditors Amounts falling due within one year	14	<u>(2 449 298)</u>	<u>(2,912,773)</u>
Net current (liabilities)/assets		<u>(260 874)</u>	<u>365,420</u>
Net (liabilities)/assets		<u>(211,616)</u>	<u>421 742</u>
<b>Capital and reserves</b>			
Called up share capital	15	10,100	10 100
Share premium account	16	1,199,900	1,199 900
Capital contribution reserve	16	600,000	600,000
Profit and loss account	16	<u>(2 021 616)</u>	<u>(1,388 258)</u>
Equity shareholders' (deficit)/funds		<u>(211,616)</u>	<u>421,742</u>

These financial statements were approved by the board of directors on 26 July 2013 and were signed on its behalf by



H L Rosethorn  
 Director

## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 2012*

	2012 £	2011 £
Loss for the financial year	(633,358)	(906,386)
Premium on share issue, less expenses	-	1,199,900
New share capital allotted	-	100
Shareholders' funds at 1 January	421,742	128,128
Shareholders' funds at 31 December	<u>(211,616)</u>	<u>421 742</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

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](http://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 on a going concern basis

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 19

#### **Intangible fixed assets and amortisation**

Software purchased by the company is capitalised as an intangible asset and its cost amortised to £nil by equal annual instalments over its useful economic life generally between 3 and 5 years

## Notes

(continued)

### 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	-	shorter of the life of lease or estimated useful economic life
Fixtures fittings and computer equipment	-	3 to 6 years
Office equipment	-	2 to 6 years

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. 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

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 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 loss 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)*

### 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

### Financial instruments

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

### 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)*

**2 Segmental information**

	<b>Revenue</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Geographical analysis of revenue		
United Kingdom	2,633 709	4,096,030
Rest of Europe	279,045	242,146
North America	245,348	502,134
Rest of World	39,361	78 303
	<u>3,197 463</u>	<u>4 918 613</u>

**3 Loss on ordinary activities before taxation**

*Loss on ordinary activities before taxation is stated*

*after charging*

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Depreciation and other amounts written off tangible (and intangible) fixed assets owned	20 908	29 958
Exchange losses	2,922	-
Loss on sale of tangible fixed assets	386	24 376
Hire of plant and machinery - rentals payable under operating leases	46 153	41,897
Hire of other assets - rentals payable under operating leases	<u>186 667</u>	<u>242,286</u>

*after crediting*

Exchange gains	<u>-</u>	<u>(4,264)</u>
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*Auditor remuneration*

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Audit of these financial statements	<u>19 500</u>	<u>22,250</u>

**Notes**

*(continued)*

**4 Exceptional items**

	2012 £	2011 £
Disposal of MDH trading division	<u>-</u>	<u>184 240</u>

During the year ended 31 December 2011 the Company incurred an exceptional loss on the disposal of its trading division, MDH

**5 Remuneration of directors**

	2012 £	2011 £
Directors' emoluments	177,545	182 794
Amounts receivable under long term incentive schemes	3 912	3 912
Company contributions to money purchase pension schemes	9 800	9 800
	<u>191 257</u>	<u>196,506</u>

Retirement benefits are accruing to the following number of directors under

	2012 No.	2011 No.
Money purchase schemes	<u>1</u>	<u>1</u>

The Company's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking. Shares were received or receivable under this restricted share scheme by one director (2011 One)

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 in return of the nominal price they paid for them at the time the award was granted. If the director ceases employment prior to the end of the period of restriction

Amounts recognised as long term incentives are in respect of restricted share awards vesting within the year. At the end of the year the company had accrued £3,912 (2011 £3 912) in respect of unvested restricted share awards to directors



**Notes**

*(continued)*

**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

	<b>Number of employees</b>	
	<b>2012</b>	<b>2011</b>
Administration	6	8
Operational	33	59
	<u>39</u>	<u>67</u>

The aggregate payroll costs of these persons were as follows

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1 968,885	2,844,798
Share related awards	3,912	3,912
Social security costs	237,055	340,601
Other pension costs	9,800	9,800
	<u>2,219 652</u>	<u>3,199,111</u>

**7 Other interest receivable and similar income**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Receivable from group undertakings	<u>50</u>	<u>195</u>

**8 Interest payable and similar charges**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Payable to group undertakings	<u>49 891</u>	<u>83,250</u>

**Notes**

*(continued)*

**9 Taxation**

**Analysis of credit in period**

	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
<b>UK corporation tax</b>		
Current tax on income for the period	<u>(212 992)</u>	<u>(250,152)</u>
<b>Deferred tax (see note 13)</b>		
Origination/reversal of timing differences	10,138	(3,335)
Effect of decreased tax rate on opening liability	<u>2,240</u>	<u>2,485</u>
Total deferred tax	<u>12 378</u>	<u>(850)</u>
Tax on loss on ordinary activities	<u><u>(200 614)</u></u>	<u><u>(251,002)</u></u>

**Factors affecting current tax credit for the year**

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

The differences are explained below

	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
Loss on ordinary activities before taxation	<u>(833,972)</u>	<u>(1,157,388)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	(204 323)	(306,708)
Expenses not deductible for tax purposes	1,469	10,582
Capital allowances for period in excess of depreciation	(10 138)	3 335
Other timing differences	-	(6,185)
Other tax relief or charge on exceptional items	<u>-</u>	<u>48,824</u>
Total current tax credit (see above)	<u><u>(212,992)</u></u>	<u><u>(250,152)</u></u>

**Notes**

*(continued)*

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

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax [asset/liability] at [balance sheet date] has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax [asset/liability] accordingly.

**10 Intangible fixed assets**

	<b>Software £</b>
<b>Cost</b>	
At 1 January 2012	187,595
Additions	7,425
Disposals	<u>(10,479)</u>
At 31 December 2012	<u>184,541</u>
<b>Amortisation</b>	
At 1 January 2012	173,104
Charge for the year	7,181
Disposals	<u>(10,479)</u>
At 31 December 2012	<u>169,806</u>
<b>Net book value</b>	
At 31 December 2012	<u>14,735</u>
At 31 December 2011	<u>14,491</u>

**Notes**

*(continued)*

**11 Tangible fixed assets**

	<b>Leasehold improvements £</b>	<b>Fixtures, fittings, tools and equipment £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2012	95,041	34,957	48,318	178,316
Additions	1,919	-	4,887	6,806
Disposals	(28,995)	(18,146)	(5,637)	(52,778)
At 31 December 2012	67,965	16,811	47,568	132,344
<b>Depreciation</b>				
At 1 January 2012	81,977	33,354	21,154	136,485
Charge for the year	3,533	1,279	8,915	13,727
Disposals	(28,995)	(18,146)	(5,250)	(52,391)
At 31 December 2012	56,515	16,487	24,819	97,821
<b>Net book value</b>				
At 31 December 2012	11,450	324	22,749	34,523
At 31 December 2011	13,064	1,603	27,164	41,831

**12 Stock**

	<b>2012 £</b>	<b>2011 £</b>
Work in progress	568	3,863

**Notes**

(continued)

**13 Debtors**

	2012 £	2011 £
Trade debtors	550,911	1,589,902
Amounts owed by group undertakings - trading balances	-	5,271
Amounts owed by group undertakings - loans and advances	1,029,186	1,028,297
Other debtors	450,166	403,813
Deferred tax assets	21,561	33,939
Prepayments and accrued income	135,174	212,249
	<u>2,186,998</u>	<u>3,273,471</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 £63 (2011 £2,507) representing cash deposited by the Company under these arrangements.

	Deferred tax asset £
At beginning of year	33,939
Charged to the profit and loss account	(12,378)
Total	<u>21,561</u>

**14 Creditors: Amounts falling due within one year**

	2012 £	2011 £
Trade creditors	559,951	1,013,437
Amounts owed to group undertakings - trading balances	84,191	94,195
Amounts owed to group undertakings - loans and advances	1,136,877	1,035,417
Taxation and social security	191,749	269,130
Accruals and deferred income	476,530	500,594
	<u>2,449,298</u>	<u>2,912,773</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 to group undertakings is £1,132,966 (2011 £1,027,593) representing amounts borrowed by the Company under these arrangements.

**Notes**

*(continued)*

**15 Called up share capital**

					2012 £	2011 £
<i>Authorised</i>						
Equity	10 100	Ordinary shares of	£ 1	each	<u>10,100</u>	<u>10,100</u>
<i>Allotted, called up and fully paid</i>						
Equity	10,100	Ordinary shares of	£ 1	each	<u>10,100</u>	<u>10,100</u>

**16 Reserves**

	Share premium account £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 January 2012	1,199,900	600,000	(1,388,258)	411,642
Loss for the year	<u>-</u>	<u>-</u>	<u>(633 358)</u>	<u>(633 358)</u>
At 31 December 2012	<u>1,199,900</u>	<u>600,000</u>	<u>(2,021,616)</u>	<u>(221,716)</u>

**Notes**

*(continued)*

**17 Commitments**

(a) There were no capital commitments outstanding at the end of the current or prior financial year

(b) 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	-	22,385	2,584	3,701
In the second to fifth years inclusive	-	13,523	30,500	40,510
	<u>-</u>	<u>35,908</u>	<u>33,084</u>	<u>44,211</u>

**18 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 £9,800 (2011: £9,800).

**19 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, NY 10022, USA. No other group accounts include the results of the company.