

# **Bernard Hodes Group Limited**

Directors' report and financial  
statements

Registered number 1835151

31 December 2009

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### 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 which 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 all have an impact on the performance of the Company

2009 presented significant market challenges. The recruitment sector in the UK went into recession in August 2008 and by January 2009 the UK economy was officially in recession which translated into an even deeper decline in activity within the recruitment sector. As reported in our 2008 accounts we anticipated a poor outlook for 2009 and had begun planning for this during the second half of 2008.

Our ability to retain key personnel is an important aspect of our competitiveness and therefore a risk which is vital to manage. Given the tough market conditions voluntary turnover was extremely low in 2009, with few opportunities in competitor organisations. This is something we will have to keep a close eye on 2010 as conditions across the recruitment industry pick up and our competitors start to head-hunt Bernard Hodes talent once again. Considerable effort was made during 2009 to work on and track employee engagement.

#### 2) Performance and development review

Despite entering the year with low expectations the rapid contraction in all markets in which we operated demanded that we take further action in the first half of 2009 to downgrade our income and profit forecasts and to reduce all categories of cost. In certain areas of the business we had more scope than others, keen to ensure we did not compromise our critical mass of resources in any service line. With a 44% drop in gross billings compared to 2008, the action taken limited slippage against original expectations and we delivered against quarterly re-forecasts throughout the year.

Whilst responding to market conditions we also ensured that action taken during 2009 was aligned with our strategy to evolve the business for the future, particularly a more digitally enabled and project based environment. We believe that this approach will ensure the business is in a strong position to take advantage of the economic upturn when it comes.

Media revenues continued to diminish with some of the media responding to the difficult economic environment by reducing trading terms and in some cases withdrawing agency commission. We have, however, become far more focused on fee based terms with clients, charging for our time and ensuring our project based working systems drive utilisation and recovery.

Going into 2010 we believe that our business prospects have begun to stabilize but remain dependent on further improvement in the UK and global economies. If these improvements do not materialize, our clients' businesses could be adversely affected which may lead to reductions in client spending. These reductions could adversely affect our business and results of operations and financial condition.

## Directors' report *(continued)*

### KPI's

Net margin	(12)%	(2008 2.5%)
Revenue growth	(39.4)%	(2008 (14.8)%)
Direct costs to revenue	31.2%	(2008 23.4%)
Headcount	78	104

In the prior year, Omnicom Group's UK banking arrangements were changed from a notional pool basis to a zero-balance basis. As a consequence the Company's bank overdraft balance is now disclosed as an intercompany creditor with the Group's UK treasury company, Omnicom Finance plc (Notes 11 and 12)

### Dividends

The directors do not recommend the payment of a dividend (2008 £Nil)

### Directors

The directors who held office during the year were as follows

H L Rosethorn

C Whitworth

### Political and charitable contributions

The company made no political contributions during the year (2008 £Nil). There were no donations to charities during the year (2008 £Nil).

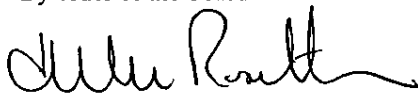
### Disclosure of information to auditors

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 individually 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 485 of the Companies Act 2006, 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

25th May 2010

## **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)

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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with section 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on 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 2009 and of the 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.

## **Independent auditor's report to the members of Bernard Hodes Group Limited** *(continued)*

### **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

**Avtar Jalif (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants

**25** May 2010

**Profit and loss account**  
*for the year ended 31 December 2009*

	<i>Note</i>	2009 £	2008 £
<b>Gross billings</b>	<i>1</i>	9,387,265	16,801,969
Rebillable costs	<i>1</i>	(3,766,767)	(7,523,773)
		<hr/>	<hr/>
<b>Revenue</b>	<i>1,2</i>	5,620,498	9,278,196
Direct costs		(1,756,343)	(2,167,400)
		<hr/>	<hr/>
<b>Gross profit</b>		3,864,155	7,110,796
Administrative expenses		(4,988,252)	(6,712,661)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		(1,124,097)	398,135
Other interest receivable and similar income	<i>6</i>	2,420	20,782
Interest payable and similar charges	<i>7</i>	(8,555)	-
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,130,232)	418,917
Tax on (loss)/profit on ordinary activities	<i>8</i>	311,373	(129,443)
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>		<u>(818,859)</u>	<u>289,474</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.

Notes on pages 9 to 18 form part of these financial statements



**Balance sheet**  
 at 31 December 2009

	Note	2009	2008
		£	£
<b>Fixed assets</b>			
Tangible assets	9	66,523	58,663
<b>Current assets</b>			
Stock	10	39,315	51,277
Debtors	11	2,591,568	4,441,122
Cash at bank and in hand		1,675	2,027
		<u>2,632,558</u>	<u>4,494,426</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,248,031)</u>	<u>(3,283,180)</u>
<b>Net current assets</b>		<u>384,527</u>	<u>1,211,246</u>
<b>Net assets</b>		<u>451,050</u>	<u>1,269,909</u>
<b>Capital and reserves</b>			
Called up share capital	13	10,000	10,000
Capital contribution reserve	14	600,000	600,000
Profit and loss account	14	<u>(158,950)</u>	<u>659,909</u>
<b>Equity shareholders' funds</b>		<u>451,050</u>	<u>1,269,909</u>

Notes on pages 9 to 18 form part of these financial statements

These financial statements were approved by the board of directors on 25 May 2010 and were signed on its behalf by



**H L Rosethorn**  
 Director

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2009*

	2009 £	2008 £
(Loss)/profit for the financial year	(818,859)	289,474
Opening shareholders' funds	1,269,909	980,435
Closing shareholders' funds	451,050	1,269,909

Notes on pages 9 to 18 form part of these financial statements

## 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 as a going concern

As the Company is a wholly owned subsidiary of Omnicom Group Inc , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed related party 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 18

#### ***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
Furniture 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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Operating 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.

#### *Gross billings*

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

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

#### *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)

### 2 Segmental information

	2009	2008
	£	£
Geographical analysis of revenue		
United Kingdom	4,914,926	7,904,143
Rest of Europe	619,872	1,218,488
North America	83,984	101,678
Rest of World	1,716	53,887
	<u>5,620,498</u>	<u>9,278,196</u>

### 3 (Loss)/profit on ordinary activities before taxation

	2009	2008
	£	£
<i>(Loss)/profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets	33,454	52,023
Hire of plant and machinery - rentals payable under operating leases	61,114	86,174
Hire of other assets - operating leases	310,048	331,343

#### *Auditors' remuneration*

	2009	2008
	£	£
Audit of these financial statements	<u>30,623</u>	<u>31,389</u>

## Notes (continued)

### 4 Remuneration of directors

	2009 £	2008 £
Directors' emoluments	164,592	152,577
Amounts receivable under long term incentive schemes	3,912	1,956
Company contributions to money purchase pension schemes	9,800	9,800
	<u>178,304</u>	<u>164,333</u>

Number of directors	
2009	2008

Retirement benefits are accruing to the following number of directors under

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 (2008: 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 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 (2008: £1,956) in respect of unvested restricted share awards to directors.

## Notes (continued)

### 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	
	2009	2008
Administration	10	14
Operational	68	90
	<hr/>	<hr/>
	78	104
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2009	2008
	£	£
Wages and salaries	3,298,845	4,510,951
Social security costs	373,179	504,937
Other pension costs	9,800	9,800
	<hr/>	<hr/>
	3,681,824	5,025,688
	<hr/>	<hr/>

### 6 Other interest receivable and similar income

	2009	2008
	£	£
Interest receivables from group undertakings	2,420	20,782
	<hr/>	<hr/>

## Notes (continued)

### 7 Interest payable and similar charges

	2009 £	2008 £
Interest payable to group undertakings	8,555	-

### 8 Taxation

#### Analysis of (credit)/charge in period

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(314,499)	126,548
 Total current tax		
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	2,453	30
Effect of increased/decreased tax rate on opening liability	673	2,865
 Total deferred tax	3,126	2,895
 Tax on (loss)/profit on ordinary activities	(311,373)	129,443



## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £	2008 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(1,130,232)	418,917
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(316,464)	119,391
Effects of		
Expenses not deductible for tax purposes	4,418	7,232
Capital allowances for period in excess of depreciation	(2,383)	(75)
Other timing differences	(70)	-
Total current tax (credit)/charge (see above)	(314,499)	126,548

### 9 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>				
At beginning of year	149,393	65,365	542,725	757,483
Additions	-	255	41,059	41,314
At end of year	149,393	65,620	583,784	798,797
<i>Depreciation</i>				
At beginning of year	133,377	49,986	515,457	698,820
Charge for year	5,128	6,704	21,622	33,454
At end of year	138,505	56,690	537,079	732,274
<i>Net book value</i>				
At 31 December 2009	10,888	8,930	46,705	66,523
At 31 December 2008	16,016	15,379	27,268	58,663

## Notes (continued)

### 10 Stock

	2009 £	2008 £
Work in progress	39,315	51,277

### 11 Debtors

	2009 £	2008 £
Trade Debtors	894,310	1,713,753
Amounts owed by group undertakings	1,058,788	2,190,085
Other debtors	226,180	33,601
Deferred tax assets	36,121	39,247
Prepayments and accrued income	376,169	464,436
	<u>2,591,568</u>	<u>4,441,122</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 from group undertakings is £28,671 (2008 £1,140,859) representing cash deposited by the Company under these arrangements.

Debtors included within prepayments and accrued income of £13,490 (2008 £11,250) due after more than one year.

The elements of deferred taxation are as follows

	2009 £	2008 £
Difference between accumulated depreciation and amortisation and capital allowances	33,836	39,247
Other timing differences	2,285	-
	<u>36,121</u>	<u>39,247</u>
Deferred tax asset at the beginning of the year	39,247	42,142
Charged to the profit and loss account in the year	(3,126)	(2,895)
	<u>36,121</u>	<u>39,247</u>

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans and overdrafts	-	11,535
Trade creditors	938,410	1,685,791
Amounts owed to group undertakings	626,220	76,906
Taxation and social security	214,015	713,048
Accruals and deferred income	469,386	795,900
	<u>2,248,031</u>	<u>3,283,180</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 £564,061 (2008 £nil) representing amounts borrowed by the Company under these arrangements.

### 13 Called up share capital

	2009 £	2008 £
<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>

### 14 Share premium and reserves

	Capital contribution reserves £	Profit and loss account £
At beginning of year	600,000	659,909
Loss for the year	-	(818,859)
At end of year	<u>600,000</u>	<u>(158,950)</u>

### 15 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 the indebtedness or liability of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

**Notes (continued)**

**16 Commitments**

- a) There were no capital commitments outstanding at the end of the current or prior period
- b) Annual commitments under non-cancellable operating leases are as follows

	2009		2008	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	3,600	25,062	3,500	11,146
In the second to fifth years inclusive	124,700	6,972	97,400	42,698
Over five years	-	-	30,500	-
	<u>128,300</u>	<u>32,034</u>	<u>131,400</u>	<u>53,844</u>

**17 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 (2008: £9,800).

**18 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 consolidated accounts of this company are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY10022, USA. No other group accounts include the results of the company.