Bernard Hodes Group Limited

Directors' report and financial statements

Registered number 1835151

31 December 2010

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities
Bernard Hodes Group is a global recruitment and employee communications consultancy We help organisations attract, recruit, engage 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 consulting on employer brand and employee engagement and a specialist capability in the search and selection of HR professionals

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 2009 the recruitment sector was in recession and whilst there were some signs of improvement going into 2010 it continued to be a tough year Two sectors in which we do have clients showed the best recovery - financial and professional services We were able to benefit to some extent from an uplift in activity here - both in search and selection and in recruitment and employee communications work

Our ability to retain key personnel remains fundamental to our competitiveness and we had a successful year on this front and having had to make some cuts to headcount in 2009 we were able to start rebuilding teams particularly through the recruitment of people at the early stages of their careers We continue to track the engagement of our employees and to support their development, knowing that we are a hunting ground for talent in the industry

Performance and development review

We anticipated another demanding year in 2010, forecasting a limited recovery whilst continuing to evolve the business to a more digitally enabled and project based environment, interacting with more significant budget holders across all service lines

In the recruitment, employee communications and consulting parts of the business we had some significant new business wins in the first half of 2010 which boosted our original expectations for the year The move to fees away from media commissions continued although the new business wins did in fact increase our media revenues

In the search and selection division we took the opportunity to conduct a strategic review of this part of the business following some management changes during the year Expectations for the search and selection business were downgraded for 2010 with a plan to refocus the practice developed for 2011

Market conditions at the end of 2010 were causing us some concern with signs of caution on spending amongst clients in financial and professional services who had been more bullish earlier in the year and had led the recovery There is a risk of a "double dip" recession which would set back our expectations for 2011

Directors' report

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

	Unit	2010	2009
Net margin	%	(4)	(12)
Revenue growth	%	8	(39)
Direct costs to revenue	%	26	31
Headcount		75	78

Dividends
The directors do not recommend the payment of a dividend (2009 £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 (2009 £Nil) Donations to charities amounted to £1 182 (2009 £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 they ought to have taken as a director to make themselves 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

26th May 2011

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

KPMG Audit Plc
15 Canada Square
London
E14 5GL
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 2010, 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 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 auditors

As explained more fully in the Statement of directors' responsibilities in respect of the Directors' report and the financial statements 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 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 APB's web-site at www frc org uk/apb/scope/private cfm

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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

Avtar Jalif (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor

Date 26 Nov 2011

Profit and loss account

for the year ended 31 December 2010

	Note	2010 £	2009 £
Gross bllmgs		10,613,144	9,387,265
Rebillable costs		(4,515 296)	(3 766,767)
Revenue	2	6,097,848	5 620,498
Direct costs		(1,601 270)	(1,756 343)
Gross profit		4,496 578	3 864 155
Administrative expenses		(4,896,822)	(4 988,252)
Operating loss		(400,244)	(1,124,097)
Other interest receivable and similar income	6	324	2,420
Interest payable and similar charges	7	(46 420)	(8,555)
Loss on ordinary activities before taxation	3	(446 340)	(1 130,232)
Tax on loss on ordinary activities	8	123 418	311,373
Loss for the financial year	15	(322 922)	(818 859)

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 2010

	Note	2010 £	2009 £
Fixed assets			
Intangible fixed assets	9	44,628	41 685
Tangible fixed assets	10	45,351	24,838
		89,979	66,523
Current assets			
Stocks	11	64,541	39,315
Debtors	12	3,416,169	2 591,568
Cash at bank and in hand		30,885	1,675
		3,511,595	2,632,558
Creditors Amounts falling due within one year	13	(3,473,446)	(2,248,031)
Net current assets		38 149	384,527
Net assets		128,128	451 050
Capital and reserves			
Called up share capital	14	10 000	10 000
Capital contribution reserves	15	600 000	600 000
Profit and loss account	15	(481,872)	(158 950)
Equity shareholders funds		128 128	451 050

These financial statements were approved by the board of directors on 26th May 2011 and were signed on its behalf by

H L Rosethorn
Director

The notes on pages 9 to 21 form an integral part of these financial statements

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2010

	2010 £	2009 £
Loss for the financial year	(322,922)	(818,859)
Shareholders' funds at 1 January	451,050	1 269,909
Shareholders' funds at 31 December	128,128	451,050

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

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

As the company is a wholly owned subsidiary of Omnicom Group Inc , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Omnicom Group Inc within which this company is included can be obtained from the address given in note 19

Intangible fixed assets and amortisation

Software purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, 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, tools and 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

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

	2010	2009
	£	£
Geographical analysis of revenue		
United Kingdom	5,676,539	4.914 926
Rest of Europe	226.755	619.872
North America	69,836	83,984
Rest of World	124,718	1,716
	6 097.848	5 620 498

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated

after charging

	2010	**2009**
	£	**£**
Depreciation and other amounts written off tangible [and intangible] fixed assets owned	33,444	33,454
Exchange losses	-	30,417
Hire of plant and machinery - rentals payable under operating leases	55,657	61 114
Hire of other assets - rentals payable under operating leases	297,950	310,048

after crediting

Exchange gains	(4 009)	-

Auditors' remuneration

	2010	**2009**
	£	**£**
Audit of these financial statements	29 236	30.623

Notes
(continued)

4 Remuneration of directors

	2010 £	2009 £
Directors' emoluments	159 628	164,592
Amounts receivable under long term incentive schemes	3,912	3,912
Company contributions to money purchase pension schemes	9,800	9,800
	173,340	178,304

	2010 £	**2009** £

Retirement benefits are accruing to the following number of directors under

	2010 No.	**2009** No.
Money purchase schemes	1	1

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 (2009 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 (2009 £3 912) 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 2010	2009
Administration	11	10
Operational	64	68
	75	78

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	3,105,644	3,290 433
Share related awards	6,162	8,412
Social security costs	345 717	373,179
Other pension costs	9 800	9 800
	3,467,323	3,681,824

6 Other interest receivable and similar income

	2010 £	2009 £
Receivable from group undertakings	324	2,420

7 Interest payable and similar charges

	2010 £	2009 £
Payable to group undertakings	46,420	8,555

Notes

(continued)

8 Taxation

Analysis of charge in period

	2010 £	2009 £
UK corporation tax		
Current tax on income for the period	(126 450)	(314,499)
Deferred tax (see note 12)		
Origination/reversal of timing differences	3,032	2,453
Effect of increased/decreased tax rate on opening liability	-	673
Total deferred tax	3 032	3,126
Tax on loss on ordinary activities	(123 418)	(311,373)

Factors affecting current tax charge for the year

The current tax credit for the period is higher than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before taxation	(446 340)	(1 130,232)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(124,975)	(316,465)
Expenses not deductable for tax purposes	1,557	4,418
Capital allowances for period in excess of depreciation	(3,032)	(2,383)
Other timing differences	-	(70)
Total current tax (credit)/charge (see above)	(126,450)	(314 499)

Notes
(continued)

9 Intangible fixed assets

	Software £
Cost	
At 1 January 2010	388 875
Additions	18,775
Disposals	(87,151)
At 31 December 2010	320,499
Amortisation	
At 1 January 2010	347,190
Charge for the year	15,832
Disposals	(87 151)
At 31 December 2010	275 871
Net book value	
At 31 December 2010	44,628
At 31 December 2009	41,685

Notes

(continued)

10 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings, tools and equipment £	Office equipment £	Total £
Cost or valuation				
At 1 January 2010	149 393	214 412	46 117	409,922
Additions	5 030	560	32,535	38,125
Disposals	-	(141,396)	(20,424)	(161,820)
At 31 December 2010	154,423	73 576	58,228	286,227
Depreciation				
At 1 January 2010	138 505	205 484	41 095	385,084
Charge for the year	5 315	5,193	7,104	17,612
Disposals	-	(141 396)	(20,424)	(161,820)
At 31 December 2010	143,820	69 281	27,775	240,876
Net book value				
At 31 December 2010	10 603	4 295	30 453	45 351
At 31 December 2009	10,888	8,928	5,022	24,838

Notes
(continued)

11 Stock

	2010 £	2009 £
Stocks	64 541	39 315

12 Debtors

	2010 £	2009 £
Trade debtors	1,478 433	894,310
Amounts owed by group undertakings - trading balances	14,666	4 327
Amounts owed by group undertakings - loans and advances	1,050 504	1 054 461
Other debtors	459 414	226 180
Deferred tax assets	33 089	36,121
Prepayments and accrued income	380 063	376,169
	3 416 169	2 591.568

Debtors included within prepayments and accrued income of £2 240 (2009 £13,490) is due after more than one year

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 £24 715 (2009 £28 671) representing cash deposited by the Company under these arrangements

	Deferred tax asset £
At beginning of year	36,121
Charged to the profit and loss account	(3 032)
Total	33,089

Notes

(continued)

13 Creditors. Amounts falling due within one year

	2010	2009
	£	£
Trade creditors	1,185,425	938,410
Amounts owed to group undertakings - trading balances	47 904	62,159
Amounts owed to group undertakings - loans and advances	1,361 423	564 061
Taxation and social security	303,123	214 015
Accruals and deferred income	575 571	469,386
	3,473,446	2 248,031

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 £1,361 423 (2009 £564 061) representing amounts borrowed by the Company under these arrangements

14 Called up share capital

					2010	2009
					£	£
Authorised						
Equity	10,000	Ordinary shares of	£1	each	10,000	10,000
Allotted, called up and fully paid						
Equity	10,000	Ordinary shares of	£1	each	10,000	10,000

Notes
(continued)

15 Reserves

	Capital contribution reserves £	Profit and loss account £
At 1 January 2010	600,000	(158,950)
Loss for the year	-	(322,922)
At 31 December 2010	600,000	(481 872)

16 Contingent liabilities Omnicom

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance Plc, the Omniom Europe Ltd 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

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

	2010		2009	
	Land and buildings	**Other**	Land and buildings	Other
	£	£	£	£
Operating leases which expire				
Within one year	30 520	1 440	3,600	25 062
In the second to fifth years inclusive	30 500	33 645	124 700	6 972
	61 020	35 085	128 300	32,034

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 (2009 £9,800)

Notes

(continued)

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, NY10022 USA No other group accounts include the results of the company