NOTICE OF ILLEGIBLE PAGES

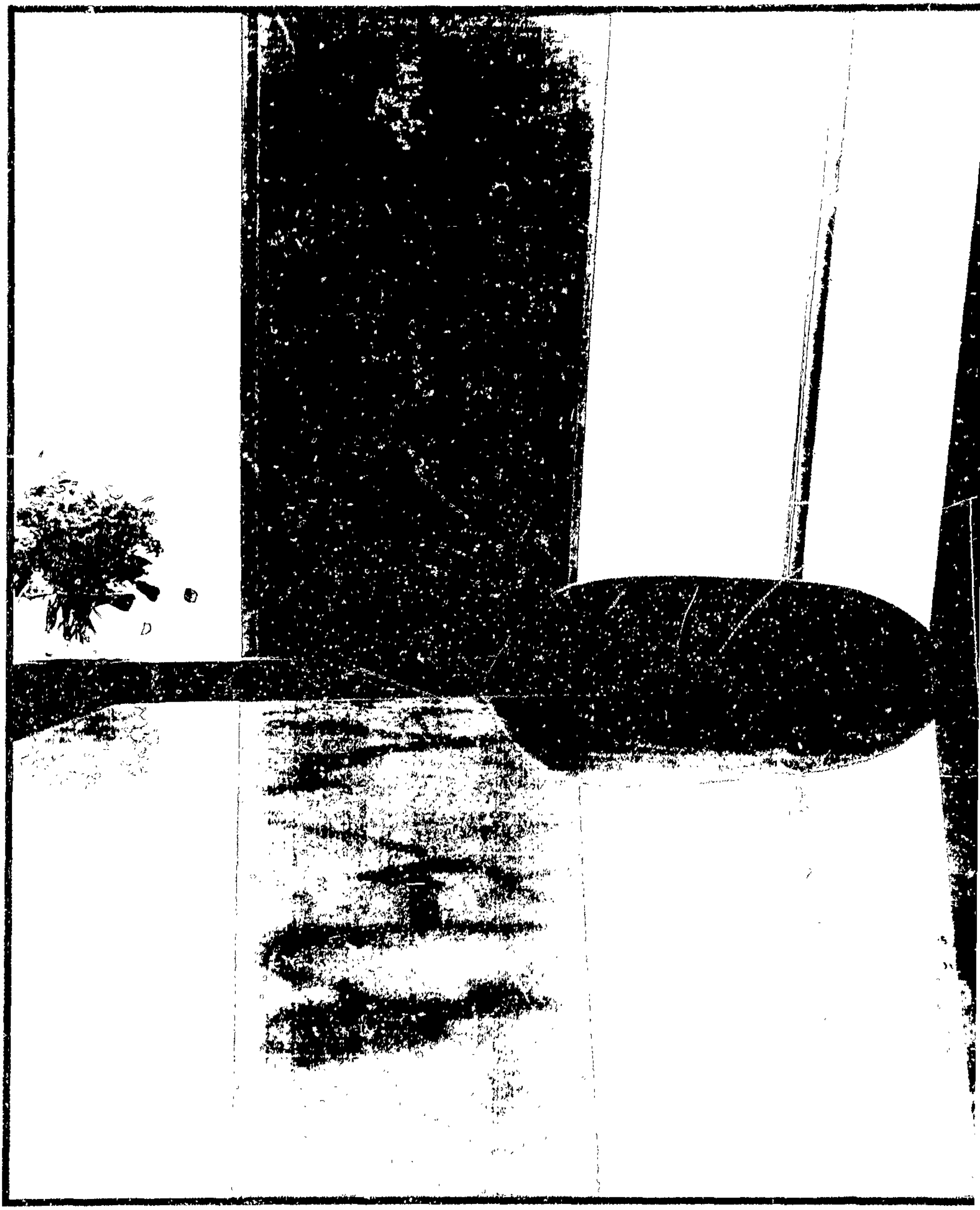
Companies House regrets that documents in this company's record have pages which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

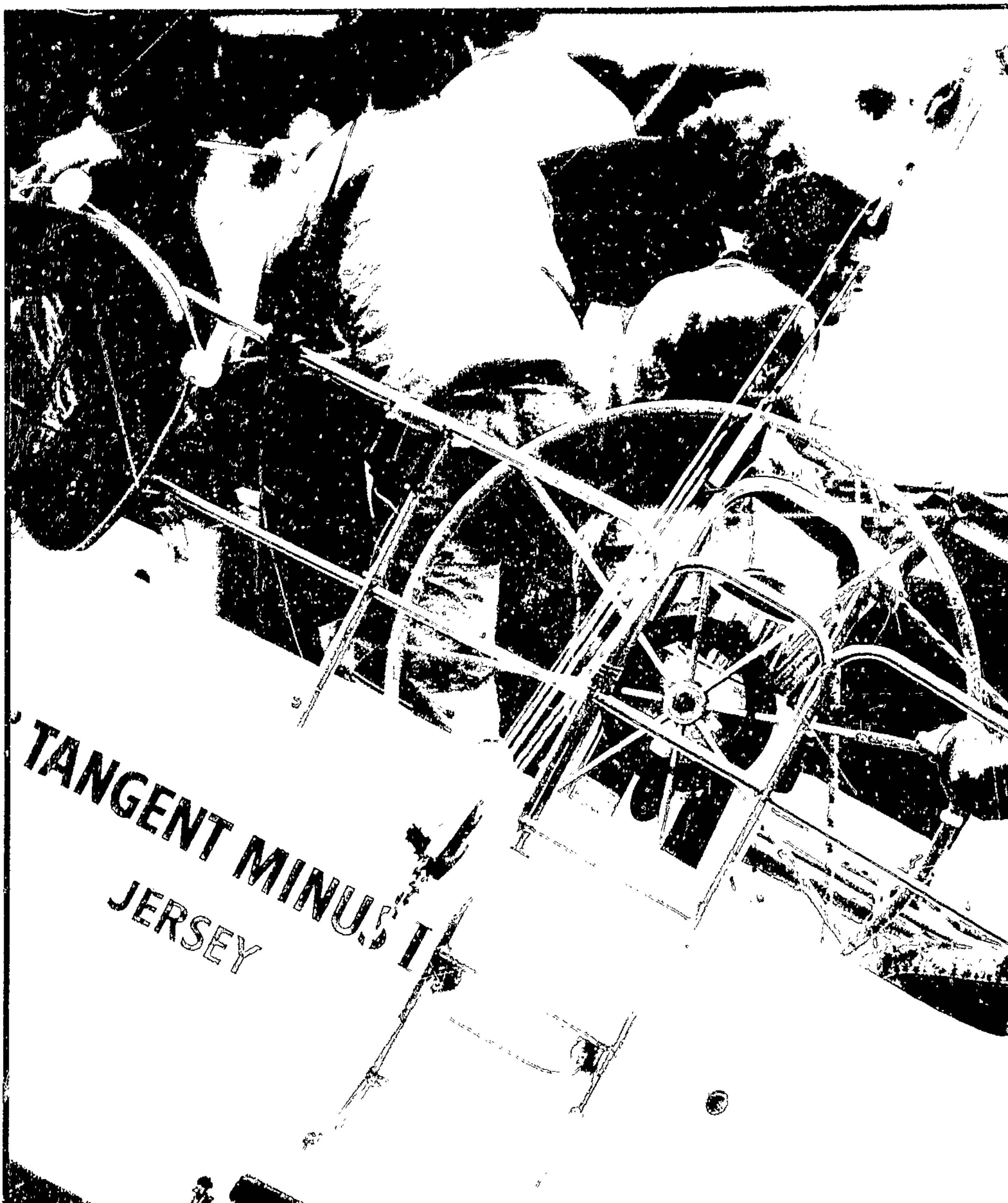
The Carling Black Label campaign

from WCRS MM is one of Britain's most popular television advertisements.

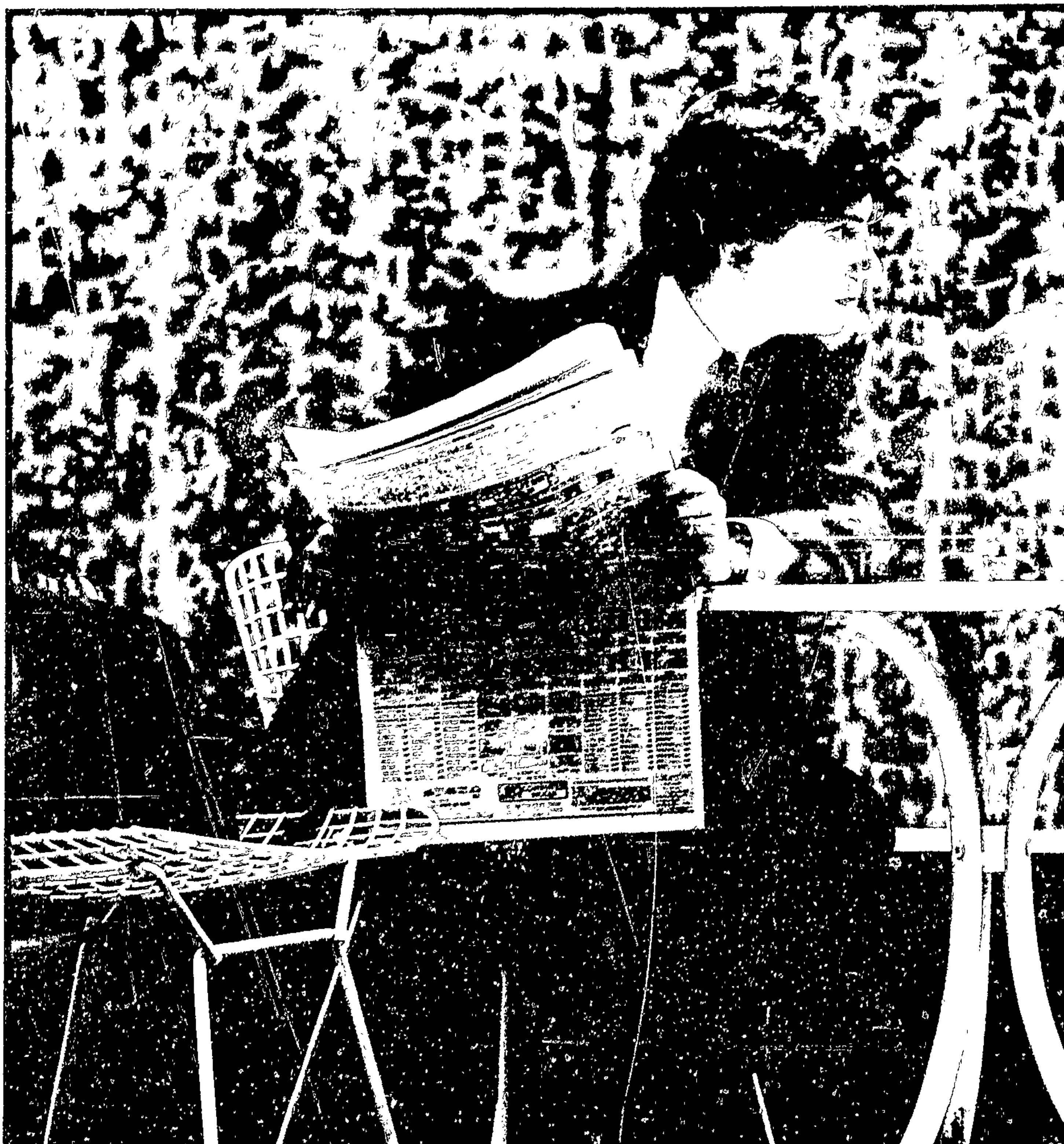


Metropolitan Life is

one of the ninety plus clients served by Corporate Graphics, New York, Los Angeles, London.

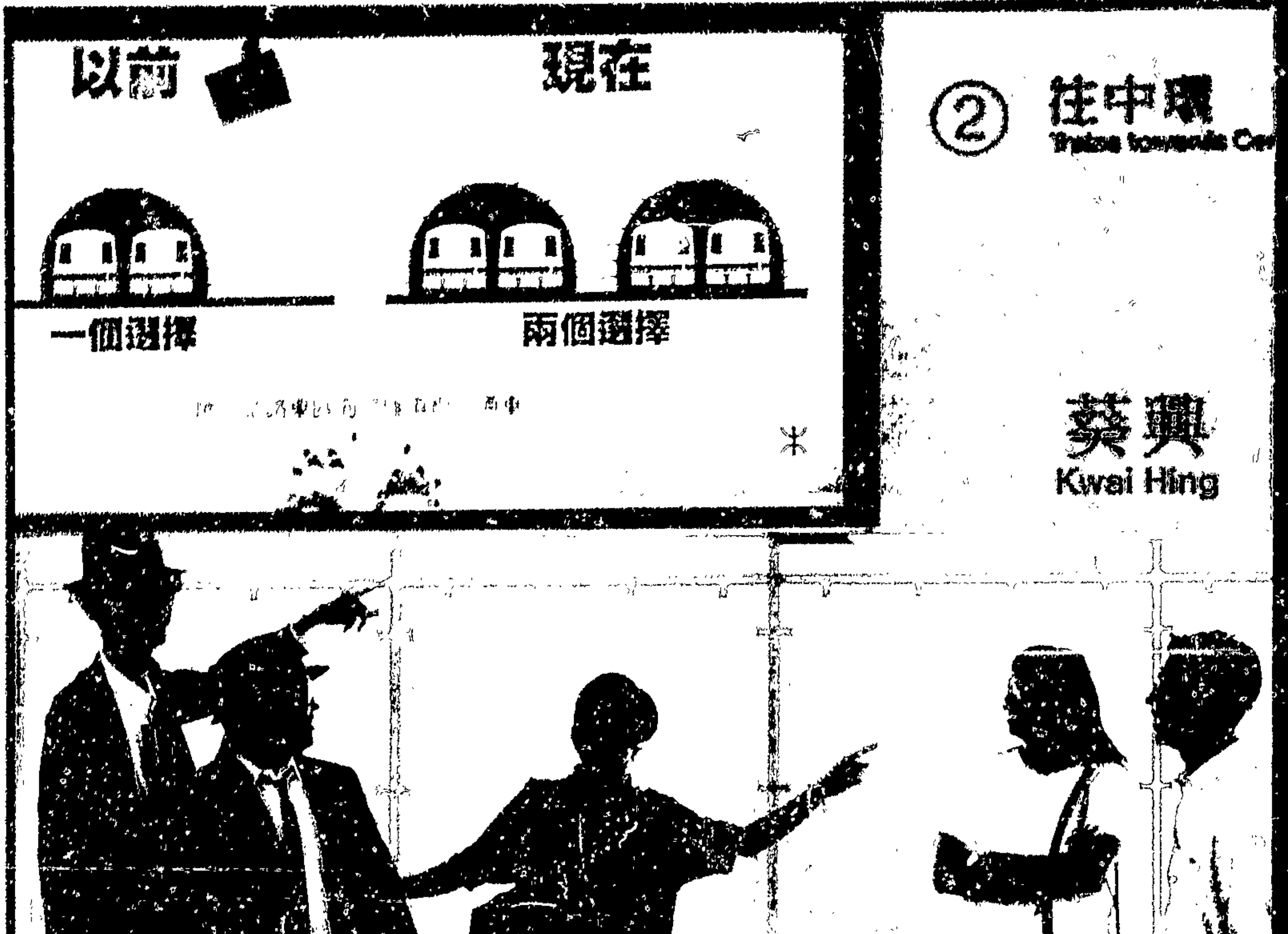

TANGENT MINUS I
JERSEY

...over sponsorship of Cowes Week.




It's our anniversary, but you get the present.
PAN AM


DIGITAL SENIORS CLASSIC
RODRIGUEZ 3
GRAY 2
CHANDLER 2

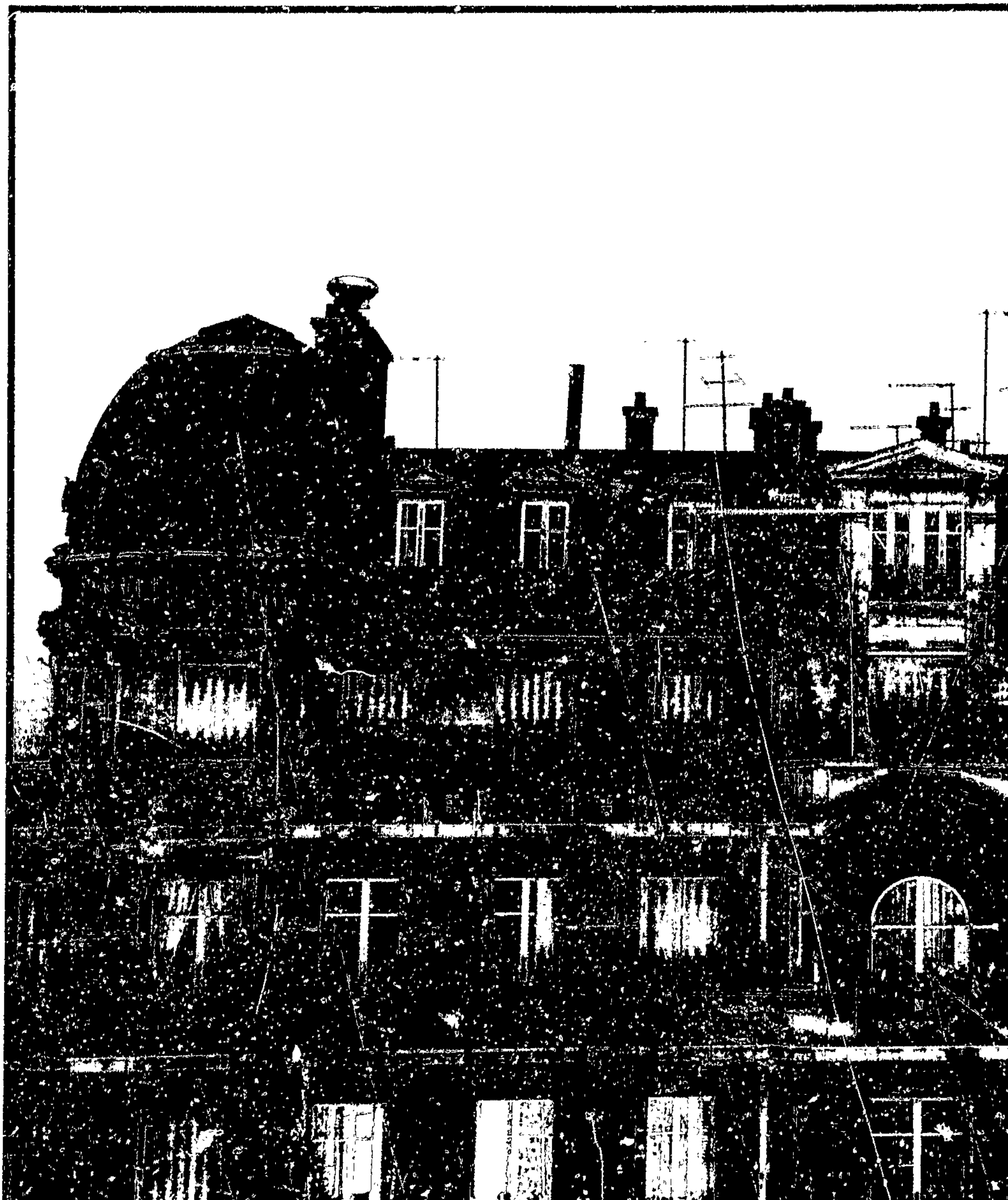


Toshiba reaches commuters on the Hong Kong Metro with advertising from

The Ball WCRS Partnership.


EVIAN. L’


evian




ENTERTAINMENT GUIDE
WHAT'S ON & WHERE
Evening Standard
Evening Standard
Travel/Getaway
HOLIDAY GIANTS MERGE
Evening Standard
Evening Standard
HOLIDAY GIANTS MERGE
Evening Standard


Probably the best in the world.

The end of last year's Chairman's Statement promised shareholders that we would continue to live up to "our own unreasonable expectations of ourselves!" We have no doubt that in the last year WCRS has more than fulfilled that promise.

In pure financial terms, we saw our profit before tax more than double to £38.1m, up from £18.3m last year. Our earnings per share increased by more than 25 per cent. Any company would be proud of that, particularly since it confirms a growth trend which has increased profit before tax by 73 times and earnings per share by 13 times since we became a public company.

However, financial results, though crucial, are also history. The real achievement of the year is how we prepared ourselves for the future, at a time when fresh challenges in our marketplaces might have halted us in our tracks.

The UK advertising magazine Campaign captured something of this resilience when they wrote at the time of the 10th anniversary of the founding London agency:

"WCRS has, for the most part, lived up to self-created expectations, due largely to its ability to roll with the punches and to think on its feet!"

It is this resilience and resourcefulness that I would like to dwell on in commenting on the financial period that has just passed.

In media buying, our associate Carat met the challenge of expanding from its French base to become Europe's leading media buying group without any need to call upon shareholders' funds.

Our advertising businesses faced the pressure on margins that clients are now starting to impose on their agencies throughout the world. We also suffered to some extent from moves by clients to increasingly align their business on a multinational basis.

Despite this, we put the needs of long-term investment in advertising ahead of short-term profit taking.

In sponsorship, we have had to invest considerable sums to start to create a scale position to make us a world leader.

That brief summary fails to do justice to the many challenges which we believe your management has successfully overcome this year.

Nor to the clarity of thinking that enabled us to respond to the new conditions in the marketplace to restructure our businesses so dramatically and—we believe—so effectively.

The challenge was simple. How do we manage to become a world player in both the media and advertising businesses and, in due course, public relations?

Our solution was to realise it was a battle we couldn't win without powerful allies. That's not faintheartedness but cool realism. You need bullets to win battles, not mere bravura.

Carat is the ally we have chosen to develop our activities in media (which includes sponsorship and programming).

Eurocom is the ally with whom we plan to grow a world advertising network that will be one of the 10 largest in the world before the end of 1993.

We have no shame in making such alliances with European companies. We are not the first, and we won't be the last, to realise that thinking purely in nationalistic British terms is completely out-of-date in the Europe of the future.

To the extent that there is no one who has yet achieved what we are *trying* to achieve, our goals are completely in line with our policy of aiming for the "unreasonable expectations of ourselves." These goals would clearly be completely unachievable without the support of not only our clients but of the 3500 people who work with us and our partners in 38 countries of the world.

We strongly believe that our shareholders would like us to thank them for their support for achieving all that has happened so far.

We have come a long way from a hotel room in the Grosvenor House Hotel 10 years ago, when four people huddled together in an attempt to woo a few clients into a new agency called Wight, Collins, Rutherford, Scott.

Today, the business has not only grown, it has reshaped itself in a way that was not even within our frame of possibility a decade ago.

It is this resilience and resourcefulness that makes us confident that in a decade's time we will be able to give another good account of ourselves to shareholders.

At the end of the first decade, I step down as Joint Chairman in order to concentrate on the development of the advertising business. I will of course continue as a Director and believe that the next 10 years will make the first decade pale in comparison.

Robin Wight.

Robin Wight, Joint Chairman

CHIEF EXECUTIVE'S REVIEW

At the time of writing the last annual report, the WCRS Group had just completed the series of major acquisitions which marked our transition from a UK advertising agency to a worldwide advertising network and Europe's leading independent media buying group.

During the past 14 months, considerable investment of money and management time has gone into consolidating our position in those markets in which we choose to compete. In October 1988, we pulled together our advertising businesses, under the WCRS Worldwide network, a network of 26 offices under the leadership of Tim Breene as Chief Executive. In December 1988, we formed Carat International under the chairmanship of Charles Hochman as the vehicle for expanding our media buying business throughout Europe. In March 1989, we announced the restructuring of the Group into three separate divisions covering media buying and sponsorship, advertising and public relations. At the same time, we announced the creation of Creamer Dickson International, our international public relations network, under the leadership of Adele Biss.

CHARLES STERN

Developing the Group

At the head office itself during the period to June 1989, central resources have been greatly strengthened.

Group Finance Director, Charles Stern, has been putting into place systems and people to run what has become an increasingly complex international group. A number of senior appointments were made in the UK, including a new treasurer and an international tax consultant. A senior chief financial officer for North America was recruited. He has set up a small team to supervise affairs in the USA.

The creation of three separate divisions for the Group has been accompanied by the appointment of a chief finance officer for the advertising business, John Biskupski, which has further improved internal financial controls.

Whilst this has significantly increased Group overhead, the scale of the Group now warrants the tightest possible control, which in the longer term will benefit shareholders.

This major programme of consolidation, restructuring and investment represents a deliberate and very significant preparation for our future. We are putting into place the structures which will enable the Group to move forward into the 1990's, continuing to respond rapidly and aggressively to fundamental changes in our marketplaces.

During the period the Group raised borrowings of £70m (at period end exchange rates) to fund the acquisition of 50 per cent of Carat, which has radically altered the balance sheet. Under the most common adoption of UK accounting conventions, goodwill arising on the acquisition has been written-off directly to reserves, and this, combined with other acquisitions and restructuring during the period, reduced our net assets to a negative £66m.

Accounting conventions pay scant regard to the value of service businesses, and the balance sheet holds few clues to the value of such a company. Ogilvy & Mather, for example, was sold to WPP for approximately US$852m against a net worth at 31 December 1988 of US$157m.

The stock market has increasingly appreciated the value of our investment in Carat and the deal is now seen to have added substantial value to WCRS. Interest cover on debt is over six times and the cash flow of the group has been satisfactory.

Carat: Europe's Leading Independent Media Buyer

The acquisition of 50 per cent of Carat Espace was completed in May 1988. Since then, senior management of the WCRS Group and Carat Espace have been working increasingly closely together to translate the outstanding success of Carat in France into other European markets.

In November 1988, Carat announced the purchase of an interest in the leading media independent in Germany, Hiemstra Media Services, which employs more than 250 staff and handles 350 clients from offices in Frankfurt, Wiesbaden and Hamburg.

In December, Carat announced that the media buying businesses in Italy, Belgium and Spain, which had been operating under the banner of Media Europe, a joint venture between Carat and Eurocom, were to be bought out to become part of a new vehicle called Carat International, formed to coordinate all Carat operations throughout Europe.

In March 1989, Carat purchased 29.9 per cent of the leading media independent in the UK, TMD, which employs more than 200 people and serves more than 300 clients.

Following these moves, Carat International is clearly established as Europe's leading independent media buyer, with anticipated billings of US$3.3 billion for calendar year 1989. Carat companies and associated companies are now the number one media independents in France, Spain, Germany and the UK, and have substantial positions in Italy and Benelux.

In total, the Carat group of companies employs more than 800 people throughout Europe and serves more than 350 clients including many major advertisers such as BMW, BSN, Coca-Cola, Colgate, Fiat, Gillette, Henkel, l'Oreal, and Philips.

Carat has made significant investments in building its media knowledge base. In France, for example, Carat Espace spends 90 million Francs annually on research into television. Since June, it has launched Carat Radio to research the radio market.

In February 1989, Carat announced the formation of the new business, Carat Entertainment, to exploit the rapidly growing programming markets.

Under the leadership of Chief Executive, Justin Bodle, the company has already shown great potential in the area of advertising supported programming, where it has signed a contract with Gillette to distribute sports programmes. The business has also taken major steps in the areas of programme production and distribution.

The success and continuing rapid growth of Carat is a function of fundamental changes taking place in the media marketplace, principally the explosion of television airtime, which has been partly driven by deregulation and partly driven by the creation of new media such as satellite and cable. Another factor is the growth of major multinational media groups like News Corporation, Bertelsmann and Fininvest, which are becoming increasingly powerful in their negotiations with potential advertisers. In addition, advertisers are themselves centralising their media buying.

In October 1989, after the end of the financial period, we announced the plan to purchase the remaining 50 per cent of Carat, thus confirming WCRS Group's commitment to media buying, programming and sponsorship. At the time of the announcement the management of Carat made clear their intention to take the outstanding success of their French business and replicate it throughout all the major markets of Europe with the ambition of achieving a European market share of 15 per cent by 1992.

Sponsorship: From Strength to Strength

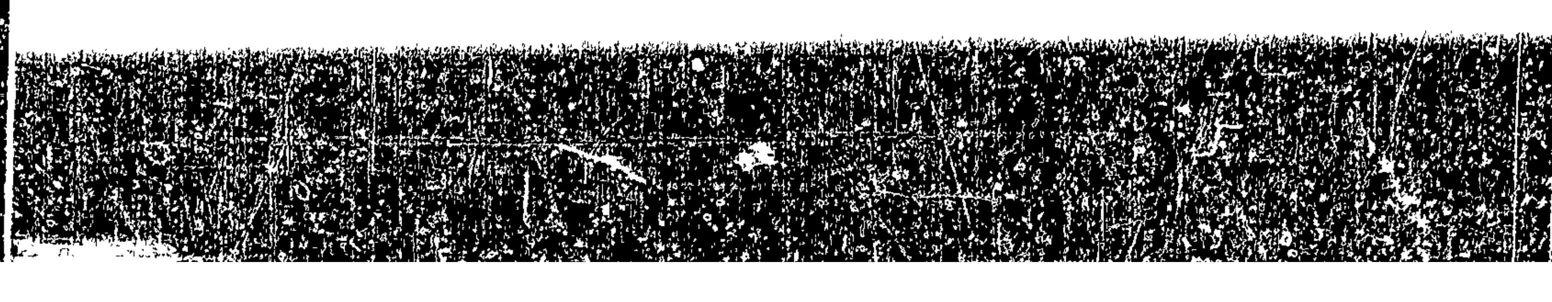
Our sponsorship group, which includes Pascoe Nally International (PNI) and Alan Pascoe Associates (APA) continues to grow and broaden the base of its business away from pure sports sponsorship, and has entered into new important contracts in the past 14 months.

In the UK, APA organised the sponsorship by Land Rover of Cowes Week, the prestigious yachting event. Broadening out from their traditional sporting base into other areas they also organised the first ever commercial sponsorship of the Confederation of British Industry conference.

In May 1988, APA acquired the personality management company, Bagenal Harvey Organisation, which has performed well above expectations. Moreover, APA's sports stadium perimeter advertising business—Sports Management—has continued to grow, consolidating its position as the UK market leader.

Among PNI's major projects are the 1990 European Athletics Championships and the next two Commonwealth Games—in New Zealand in 1990 and in Canada in 1994. PNI are also participating in the promotion of major league baseball as part of a consortium which has all television and marketing rights outside of the USA. In addition to promoting the US sport of baseball around the world, PNI is also involved in marketing and developing the sport of soccer within the US in the run up to the 1994 World Cup, hosted by the USA.

In February 1989 PNI set up a new wholly owned subsidiary television production company, Grand Slam Sports, which is already well known for its innovative TV sports coverage.

A New International Advertising Network

The last three years have seen explosive growth in our advertising business. Between mid 1986 and mid 1988 WCRS acquired 14 advertising and direct marketing businesses. In October 1988, these and our other advertising and direct marketing businesses were grouped together into an advertising network and launched under the international trading name of WCRS Worldwide.

From small beginnings in London 10 years ago, our Worldwide network is now emerging as a significant force on the international advertising stage. Billings are in excess of US$2 billion. We rank 14th largest in the world. And we have a unique positioning. We are the only major network designed as an international partnership between strong regional agencies, each dedicated to meeting the particular requirements of the area in which it operates; each having an outstanding reputation in its own market yet all capable of working together as a network when it matters.

Our network with its four major regional agencies—WCRS Mathews Marcantonio in the UK, Bélier WCRS across continental Europe, Della Femina, McNamee WCRS in North America, The Bell WCRS Partnership in Asia and Australasia—currently serves clients in 38 countries—14 through directly owned agencies and a further 24 through close affiliate relationships. From little over 100 people at the start of 1986, we now employ more than 2000 staff in our advertising businesses.

We passed some important milestones in the past 14 months. Perhaps the most pleasing was WCRS Mathews Marcantonio achieving and consolidating its position as the 10th largest agency in the UK, a superb achievement within its first 10 years of life.

The last 14 months also showed that we can take on and beat the more established multinational agency groups on their own ground. With our network's growth and our more extended geographic reach, we came into competition for international business with major groups such as Ogilvy & Mather, J. Walter Thompson and DMB&B for the first time. On the two occasions when this involved a formal new business pitch—Pan Am and Johnnie Walker—we won.

This success reflects the underlying quality of our agencies around the world, not just in one location, as our extraordinary success at the 1989 prestigious Cannes Festival demonstrates. We competed amongst 3642 entries from 47 countries and we won more awards than all but one network. Of the 12 gold awards, we won three, with work out of Singapore, Los Angeles and Madrid. And we won silvers in London, Paris, New York and Boston as well.

But this year has not all been plain sailing.

Market conditions have been difficult, particularly in the US. In many advertising categories, expenditure has not kept pace with cost inflation; pressures on agency compensation have intensified; and international alignment continues to the detriment of agencies and groups without a strong international presence or reputation.

At the same time, our exceptional growth brought with it a number of challenges—our decision to become an effective network rather than remain a loose federation of creative agencies has necessitated the restructuring and redirection of some of our businesses.

It has been a demanding task to integrate our different businesses into one single network and to ensure that our delivery to clients is in line with our promise. Scarcely a business has not been strengthened through some form of reorganisation or new management. And, of course, behind the scenes we have been upgrading and integrating our systems so as to operate more effectively as a network.

These moves have already begun to pay back: 1989 started well with the win of Pan Am as a global account. In the following six months we achieved further progress with multinational assignments from United Distillers, Lego, Parker Pens and others, so that today we work for more than 10 clients in 5 or more countries and a further 20 clients in 3 or 4 countries.

At the start of the financial period, we embarked on the merger of our two major North American Agencies to create Della Femina, McNamee WCRS, even though we knew this would have some short term cost. We believed that the scale achieved by merging Della Femina Travisano & Partners and HBM Creamer would be absolutely critical to our long term ability to compete.

Despite the tough market, particularly in New England, the merger has been accomplished successfully and our objective of pitching and winning larger national and international accounts has been achieved. In such a tumultuous period, our client list has remained remarkably stable and we have enjoyed important new business wins in both New York and Los Angeles. The reputation of the agency—Della Femina, McNamee WCRS—continues to grow and Louise McNamee achieved the recognition she so richly deserves when she was voted Ad Woman of the Year.

In France, the operations of Bélier WCRS have been simplified. We have dramatically reduced the many different profit centres so as to better position the Group for the internationalisation of business in the run-up to 1992. At the same time the flagship agency Bélier WCRS Paris has enjoyed a creative resurgence under the leadership of Jacques Henocq who was voted Creative Man of the Year by Stratégies, the leading French advertising magazine. Another feature of the period was the merger of Synergie Communications and The Ball WCRS Partnership in Hong Kong. The agency now ranks number five and we believe dominates Hong Kong creatively. In addition to many awards for client campaigns the agency came second in Ad Age magazine's "International Agency of the Year" competition. In Asia and Australasia The Ball WCRS Partnership has continued to show strong growth and has reinforced its increasing reputation as the creative force in the region. To support this growth we have considerably strengthened the management team in the region. All of our offices have made satisfactory progress and we have weathered a mild dose of indigestion in Sydney as a result of the merger of three different agency teams. With the help of founding partner Andrew Rutherford our Sydney operation was restructured and today we have new leadership in place and a string of new business wins behind us. Andrew Rutherford has now returned to the UK and is Joint Chairman and Creative Director of our second London agency, FCO, which had a difficult year and incurred heavy losses. The agency has been re-energised and has gained significant new business in recent weeks. We are confident of its future.

Outside of the mainstream consumer advertising business, we have continued to invest to build our direct marketing operations across the USA, and in London, Sydney and Hong Kong. Cohn & Wells, already a dominant force in San Francisco, successfully opened a second office in Los Angeles and, since the year end, has expanded into New York.

Robert A Becker, our specialist healthcare agency, was relocated to share the new premises of Della Femina, McNamee WCRS at 350 Hudson Street. Management was strengthened and not only have we cemented our relationships with major clients, but we have begun to realise significant synergies between our consumer and specialist healthcare skills. And since June, our growing reputation has resulted in a number of major projects from new clients.

However, there has been a cost to all this work to redirect and reinforce our businesses. We have grown in size, reach and reputation but our profits in this period have declined. Our task is not yet complete, but the cohesion and underlying quality of our business resulting from these steps will, we believe, provide a firm foundation for the long term growth and profitability of our network.

In October 1989 we announced a restructuring of the shareholdings in our advertising business. Our existing partner Eurocom proposes to purchase an additional 40 per cent of our advertising business, taking their holding up to 60 per cent, in which event the network will be renamed Eurocom WCRS Della Femina Ball—EWDB. New French agencies will be added to the network, making it the 5th largest in Europe and the 14th largest in the world. Under the new ownership structure it is the intention of WCRS Group and Eurocom to develop EWDB into one of the world's top 10 advertising networks and the most creative.

Creamer Dickson International: Our New PR Network

Since the formation of Creamer Dickson International ("CDI") in March 1989, the Group's public relations division has focused on a strategy of strong organic growth with sustained outperformance of the market, which is buoyant in all our areas of operation, on both income and margins. Coupled with the rapid development of superior network skills, systems and quality management this will enable us to add value to a potentially expanded client base.

Against these criteria our companies have made good progress.

Siss Lancaster, our UK consultancy, has completed its tenth successive period of organic growth in income and profits, once again outperforming industry margins. This was achieved despite a transition from first to second generation management early in the period, and a level of investment in training typically twice as high as the industry average.

The consultancy now has in place an exceptionally able Board and management team. Under Graham Lancaster's leadership, it has enjoyed a record run of new client gains including Dixons Group plc (for investor relations), Manpower plc, Pernod, Pizza Hut and work for Rowntree and Thomson SA.

With trading currently ahead of expectations, a move to larger premises is envisaged during 1989 to accommodate the company's growth.

Corporate Graphics, our annual report and corporate identity company, celebrated in September of this year the first anniversary of the opening of its London office. The outstanding quality of its work is reflected in the quality of client gains during the financial period. These included British Gas, Guinness, Reuters and The Prudential Corporation, as well as Kingfisher and Thorn-EMI which were previously served out of the US. More recently, ICI and Coopers & Lybrand are among others which have been added to the client roster. Since the startup of the London office, Corporate Graphics has expanded the London team from 2 to 14 and is bringing forward plans to move into larger premises.

In the US, Corporate Graphics has consolidated its position as the leading annual reports company. In a business where long-standing client relationships are rare, this year Corporate Graphics completed its 13th consecutive annual report for H J Heinz Company, its 10th report for Pfizer Inc., its 10th for Metropolitan Life and its 9th for Scott Paper Company, to name but a few.

During this period, Corporate Graphics' annual reports have won over 40 awards including the much coveted International Association of Business Communicators' Gold Quill for our own WCRS Group Annual Report, which it has produced once again this year.

Creamer Dickson Basford (CDB), our US public relations agency, has also continued to expand its client base. The period saw both the appointment of CDB as agency of record by Panasonic Office Automation—one of the agency's single largest client gains in recent years—for a major programme to raise its expanding product profile in the US and the decision by the American Heart Association to dispense with the final stages of its competitive selection process in order to appoint CDB for a major project. These appointments indicate the success of the decision to invest in a strengthened New York office.

Strong growth also took place in New England where CDB became agency of record for two divisions of the Swarovski Corporation. The year's new business programme has started well with the recently announced gain of Digital Equipment Corporation, the world's second largest computer manufacturer, which will be served through CDB's New England office.

Three years later on, it is clear that the decision to separate CDB from its former advertising parent (HBM Creamer) has been fully vindicated.

Under Jean Farinelli, CDB has concentrated with considerable success on reshaping its senior management team—creating and developing campaigns which have led to the complete revitalisation of its reputation.

As a result, the coming year for CDB will be one of substantial investment in systems and administration more appropriate to the agency's projected future size.

Given the development of a more comprehensive US healthcare resource in both CDB and Robert A Becker, we have disposed of Glick & Lorwin which operated in a narrow area of healthcare marketing focused on one dominant client.

Consolidation of Media Buying: Restructuring of Advertising

PETER SCOTT

Our plan to acquire the remaining 50 per cent of Carat and the intention by Eurocom to take a 60 per cent stake in our advertising business mark a crucial step in the development of the Group as we consolidate our position as Europe's leading independent media buyer and provide our advertising network with the resources to allow it to continue its own aggressive expansion programme.

Both Eurocom and the vendors of Carat will become minority shareholders in the Group. Both have agreed to limit their holdings to just under 15 per cent.

We now have the opportunity to exploit further co-operation with Eurocom in the areas of programming, sponsorship, public relations and media buying to the benefit of both partners.

Following these developments the WCRS Group is now a holding company with the strategy of maintaining and building further substantial interests in leading businesses in major fields of communication such as media buying, advertising and public reations.

In conclusion, I would say, this has been a period during which we have clarified the role of the WCRS Group and its operating businesses. Strong and proven management is now in place in all of the operating divisions and each can now be assured of the resources they require to continue their own programme of expansion.

In the year ahead our priority will be further international development and we will continue to seek out those high growth sectors where we can profitably serve our clients.

Peter Scott, Chief Executive

FINANCIAL TABLE OF CONTENTS

DIRECTORS AND ADVISERS

Directors of The WCRS Group plc
Peter J Scott
(Joint Chairman and Chief Executive)
Robin Wight
(Joint Chairman)
Adele Biss
R Timothy S Breene
Frank S Law
(Non-executive)
Louise McNamee
(US citizen)
George M Magan
(Non-executive)
Simon M Olswang
(Non-executive)
Alan P Pascoe
Andrew D Rutherford
Charles R Stern

Secretary
Robert M J Andrews

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Financial Advisers
Salomon Brothers International Limited
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JO Hambro Magan & Co. Limited
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements for the fourteen months ended 30 June 1989.

Results and Dividends

The profit and loss account is set out on page 41 and shows a profit for the period on ordinary activities of £21.35 million after deducting taxation of £16.76 million. An interim dividend of 1.65p per share was paid on 28 April 1989 to Ordinary shareholders registered at 23 March 1989. The Directors recommend a final dividend of 3.35p per share which, if approved at the Annual General Meeting, will be paid on 4 January 1990 to Ordinary shareholders registered at 3 November 1989. The total dividend for the period will then amount to 5p (1988–3.95p) per share.

The retained profit for the period of £9.65 million is carried to reserves.

The Directors propose to give shareholders the opportunity of electing to receive fully paid new Ordinary shares instead of cash in respect of all or part of the final dividend proposed for the period ended 30 June 1989 (and any interim dividend in respect of the period commencing 1 July 1989).

Principal Activity

The principal activity of the Company is that of a holding company based in London. Its subsidiaries provide a broad range of services in the media, communications and marketing business sectors on an international basis.

Review of Business and Future Developments

The increase in turnover and profit before taxation reflects both the continuing success of the Group and the contribution from the new associate, Carat Espace SA. A review of the business and likely future developments of the Group is given in the Chairman's Statement and Chief Executive's Review.

Fixed Assets

Information relating to changes in tangible fixed assets is given in Note 13 to the financial statements.

Donations

The Group made charitable donations of £35,000 during the period in the UK. There were no political donations.

Directors and Directors' Interests

The Directors of the Company in office at the end of the period, and their interests in the share capital of the Company, are given in Note 8 to the financial statements.

The following resignations from the board occurred during and following the end of the period:

J Della Femina	20 January 1989
E Eskandarian	8 March 1989
W E Sprague	8 March 1989
S J White	8 March 1989
M J Ball	11 July 1989

S M Olswang, A P Pascoe and C R Stern retire from the Board by rotation in accordance with the Company's Articles of Association and, being eligible, are proposed for re-election.

A P Pascoe is subject to an agreement for services which expires on 18 June 1991. C R Stern has a service contract with the Company which expires on 27 September 1994. S M Olswang does not have a service contract with the Company.

Non-Executive Directors

G M Magan was appointed to the Board on 1 May 1983. He is the Managing Director of J O Hambro Magan & Co. Limited, and a Director of a number of other companies.

S M Olswang was appointed to the Board on 20 March 1987. He is the founder and senior partner of Simon Olswang & Co, the Company's solicitors.

F S Law CBE was appointed to the Board on 1 November 1987 He is a Director of NFC International Holdings Limited, Siemens plc and a number of other international companies.

Substantial Shareholdings

The Directors of the Company have not been notified of any holding amounting to 5% or more of the issued Ordinary share capital of the Company.

Share Capital

Details of the movements in authorised and issued share capital during the period are given in Note 20 to the financial statements.

Authority for the Company to Purchase its Own Shares

The authority for the Company to purchase its own shares, which was granted on 14 March 1988, expired on 14 September 1989. No purchases have been made to the date of this report and there are no outstanding contracts to purchase shares as of this date. It is now proposed to seek a renewal of this authority to purchase up to 2,600,000 Ordinary shares and 920,000 55 per cent Convertible Preference shares (approximately 5 per cent of the present issued capital of those classes) at the forthcoming Annual General Meeting.

The maximum price at which any share may be purchased is the price equal to 5 per cent above the average of the middle market quotations of such share as derived from the Daily Official List of The International Stock Exchange for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share.

Close Company Status

The Directors have been advised that the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

A resolution concerning the reappointment of Stoy Hayward as auditors will be submitted at the Annual General Meeting.

By order of the Board

RMJ Andrews
Secretary

24 October 1989

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 30 June 1989

	Notes	1989 14 months £000	1988 12 months £000
Turnover	2	568,867	407,687
Direct cost of sales		462,347	325,623
Gross Income		106,520	82,064
Administration expenses		97,862	65,183
		8,658	16,881
Other operating income	3	168	211
Share of profit from related companies	4	30,618	1,125
Interest receivable		1,002	809
		40,446	19,026
Interest payable	5	2,344	773
Profit on Ordinary Activities Before Taxation	2/6/7/8	38,102	18,253
Taxation on profit on ordinary activities	9	16,756	6,214
Profit on Ordinary Activities After Taxation		21,346	12,039
Extraordinary items	10	1,945	283
Minority interests		5,674	806
Profit for the Financial Period		13,727	10,950
Dividends	11	4,074	2,846
Retained Profit for the Financial Period		9,653	8,104
Profit for the Period Retained by			
Holding Company		(3,957)	1,497
Subsidiary companies		(2,209)	5,973
Related companies		15,819	634
		9,653	8,104
Earnings per Ordinary Share			
Basic	12	29.91p	23.44p
Fully diluted	12	26.92p	

The Notes on pages 44 to 59 form part of these financial statements.

BALANCE SHEETS
at 30 June 1989

	Notes	Group 30 June 1989 £000	Group 30 April 1988 £000	Company 30 June 1989 £000	Company 30 April 1988 £000
Fixed Assets					
Tangible assets	13	19,364	16,303	885	326
Investments	14	20,899	6,713	108,598	97,133
		40,263	23,016	109,483	97,459
Current Assets					
Work in progress		—	154	—	—
Debtors	15	83,446	66,817	98,000	16,069
Investments	16	—	767	—	625
Cash at bank and in hand		5,882	4,971	—	—
		89,328	72,709	98,000	16,694
Creditors					
Amounts falling due within one year	17	113,885	74,149	30,286	12,849
Net Current (Liabilities)/Assets		(24,557)	(1,440)	67,714	3,845
Total Assets Less Current Liabilities		15,706	21,576	177,197	101,304
Creditors					
Amounts falling due after more than one year	18	80,325	11,398	73,739	3,500
Provisions for Liabilities and Charges	19	551	442	—	737
Minority Interests		816	3,095	—	—
		(65,986)	6,641	103,458	97,067
Capital and Reserves					
Called-up share capital	20	4,600	4,359	4,600	4,359
Share premium account	21	2,981	579	2,981	579
Goodwill reserve	21	(98,016)	(11,386)	—	—
Merger reserve	21	—	—	94,467	86,762
Profit and loss account	21	24,449	13,089	1,410	5,267
		(65,986)	6,641	103,458	97,067

The Notes on pages 44 to 59 form part of these financial statements

P J Scott, C R Stern
Directors
24 October 1989

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the period ended
30 June 1989

	1989 14 months		1988 12 months	
	£000	£000	£000	£000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation and extraordinary items		38,102		18,253
Extraordinary items (before tax credit)		(2,209)		(283)
		35,893		17,970
Adjustment for items not involving the movement of funds				
Depreciation	3,228		2,549	
Loss/(profit) on sale of fixed assets	241		(68)	
Profit before taxation retained in related companies	(36,404)		(1,125)	
Exchange translation adjustments	(2,169)		554	
		(35,104)		1,910
Total generated from operations		789		19,880
Funds generated from other sources				
Issue of Ordinary shares	2,643		28,668	
Issue of Convertible Preference shares	—		248	
Issue of loan stock	—		1,526	
Sale of fixed assets	2,861		780	
Increase in long-term finance	70,018		—	
Investment by minority	—		8,000	
		75,522		39,222
		76,311		59,102
APPLICATION OF FUNDS				
Additions to tangible fixed assets	7,138		9,980	
Net movement in fixed asset investments, less goodwill	5,995		5,722	
Goodwill on acquisition of subsidiaries and related companies	86,630		35,757	
Decrease in long-term finance	1,911		624	
Taxation paid	3,794		4,137	
Dividends paid	3,746		2,372	
		109,214		58,592
		(32,903)		510
(INCREASE)/DECREASE IN WORKING CAPITAL				
Work in progress	1,871		645	
Debtors and prepayments	(5,665)		(14,381)	
Investments	767		(759)	
Creditors and accruals	38,510		6,580	
		35,483		(7,915)
INCREASE/(DECREASE) IN BANK AND CASH BALANCES		2,580		(7,405)

The Notes on pages 44 to 59 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

There have been no changes in the accounting policies during the period. These financial statements have been prepared under the historical cost convention adopting the following principal accounting policies.

Basis of consolidation. The consolidated financial statements incorporate the financial statements of The WCRS Group plc and its subsidiaries from the date of acquisition made up to 30 June 1989. All significant inter-company balances and transactions are eliminated. The Group's results also include its share of attributable profits of related companies made up to 30 June 1989.

The Company has taken advantage of the exemption in the Companies Act 1985 section 228(7) not to present its own profit and loss account.

Goodwill. Goodwill, including any additional goodwill arising from the contingent capital payments set out in Note 22, is written off direct to reserves in the year in which it arises.

Related companies. Companies in which the Group has an interest comprising not less than 20 per cent of the voting capital and over which it exerts significant influence are treated as related companies.

Turnover. Turnover represents the total of amounts invoiced to clients, exclusive of value added tax and intra-group transactions, in respect of fees, advertising media charges, advertising production costs and rechargeable expenses.

Recognition of revenue. Revenue is recognised when charges are made to clients, usually when advertisements appear in the media and when production work is completed. Fees are recognised over the period of the relevant assignments or agreements.

Fixed assets and depreciation. Tangible fixed assets are stated at historic cost less accumulated depreciation.

Depreciation is provided to write off the cost of all fixed assets, except freehold land and buildings, over their expected useful lives. It is calculated on the original costs of the assets at the following rates:

Long Leasehold and Short Leasehold	Over the period of the lease
Leasehold Improvements	10% per annum
Office Furniture, Fixtures & Equipment	10–20% per annum
Motor Vehicles	25% per annum

Freehold property is not depreciated as it is maintained to such a standard that its estimated residual value is equal to or greater than its net book value. Maintenance and repairs are carried out on a regular basis and the cost charged in the profit and loss account.

Fixed asset investments are stated at cost less any amounts written off. Investments in related companies are included in the consolidated balance sheet at cost less goodwill plus share of post-acquisition retained profits.

Foreign currencies. Profit and loss accounts in foreign currencies are translated into sterling at average monthly rates. Assets and liabilities in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Unrealised exchange adjustments, arising on the translation of the net assets of subsidiaries and related companies, are taken direct to reserves in the consolidated financial statements.

Work in progress. Work in progress comprises the accumulated costs of advertising production and rechargeable expenses, less amounts invoiced to clients, and is stated at cost less provision for any amounts that may not be recovered.

Deferred taxation. Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Leased assets. Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. The annual rentals are charged to the profit and loss account over the lease term.

2. OPERATING PERFORMANCE BY SECTOR AND GEOGRAPHICAL ANALYSIS

Sector:

	Profit before taxation		*Turnover*	
	1989 14 months £000	*1988** 12 months £000*	**1989 14 months £000**	*1988** 12 months £000*
Advertising/direct marketing	**12,655**	14,604	**531,503**	381,977
Public relations	**2,141**	2,020	**21,191**	19,569
Media/sponsorship*	**27,863**	1,094	**13,736**	6,141
Group costs and other businesses	**(4,557)**	535	**2,437**	—
	38,102	18,253	**568,867**	407,687

**After deducting £5,786,000 interest (see Note 4)*
***The comparatives have been restated to reflect discontinued businesses.*

Geographical analysis:

	Profit before taxation		*Turnover*	
	1989 14 months £000	*1988 12 months £000*	**1989 14 months £000**	*1988 12 months £000*
Europe (including UK)	**30,292**	7,341	**150,621**	103,972
USA	**7,007**	10,479	**364,857**	277,324
Pacific Basin	**803**	433	**53,389**	26,391
	38,102	18,253	**568,867**	407,687

Carat Holding SA's turnover in respect of the financial period was £1,311 million.

3. OTHER OPERATING INCOME

	1989 14 months £000	1988 12 months £000
Rental income	31	165
Income from listed investments	137	46
	168	211

4. SHARE OF PROFIT FROM RELATED COMPANIES

	1989 14 months £000	1988 12 months £000
Share of profit before tax from related companies	36,404	1,125
Interest payable on the loan, partly repayable after five years, to acquire a 50% holding in Carat Holding SA	(5,786)	—
	30,618	1,125

5. INTEREST PAYABLE

	1989 14 months £000	1988 12 months £000
On bank loans and overdrafts and other loans repayable within five years (excluding interest in Note 4)	1,884	421
On capitalised leases and hire-purchase contracts	460	352
	2,344	773

6. EMPLOYEES

Staff costs consist of:

	1989 14 months £000	1988 12 months £000
Wages and salaries	55,077	38,509
Social security costs	3,806	2,590
Other pension costs	1,560	576
	60,443	41,675

The average weekly number of full-time employees of the Group during the period was as follows:

	1989 Number	1988 Number
Advertising/direct marketing	1,568	1,396
Public relations	230	219
Media/sponsorship	108	53
Other	134	166
	2,040	1,834

The number of employees of the Company whose remuneration fell in the following ranges during the period was:

	1989 Number	1988 Number
£30,000– £35,000	3	3
£35,001– £40,000	2	1
£50,001– £55,000	—	1
£55,001– £60,000	1	—
£60,001– £65,000	3	—
£65,001– £70,000	1	1
£70,001– £75,000	1	—
£190,001–£195,000	1	—

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is arrived at after charging/(crediting):

	1989 14 months £000	1988 12 months £000
Depreciation		
of owned fixed assets	3,047	2,392
of assets under finance leases	181	157
Operating lease rentals		
hire of plant and machinery	218	263
other	8,597	5,087
Auditors' remuneration	399	331
Loss/(profit) on sale of tangible fixed assets	241	(68)
Income arising on property transactions	(340)	(1,654)
Profit on sale of listed investments	(2,584)	(1,988)

Carat Holding SA's depreciation in respect of the financial period was £2,064,000.

8. DIRECTORS' REMUNERATION

	1989 14 months £000	1988 12 months £000
Emoluments	3,614	1,816
Fees	107	65
Pension contributions	78	106
	3,799	1,987

Emoluments (excluding pension contributions) of:		
Joint Chairman	572	172
Joint Chairman and highest paid UK Director (1988–Highest paid UK Director)	663	200

The number of other UK Directors whose remuneration (excluding pension contributions) fell in the following ranges was:

	1989 Number	1988 Number
£0– £5,000	—	1
£5,001– £10,000	—	3
£10,001– £15,000	1	—
£15,001– £20,000	1	1
£20,001– £25,000	1	—
£60,001– £65,000	—	1
£65,001– £70,000	—	1
£70,001– £75,000	—	1
£80,001– £85,000	—	1
£90,001– £95,000	1	—
£105,001–£110,000	1	1
£145,001–£150,000	1	1
£175,001–£180,000	1	1
£235,001–£240,000	1	—
£315,001–£320,000	1	—
£460,001–£465,000	1	—
	10	12

During the period, emoluments of £1,814,000 were paid to five former Directors as part of their termination arrangements on resigning from office. Of this amount £1,792,000 was provided on the acquisition of HBM/Creamer, Inc. in July 1986 and the reorganisation of the US advertising interests in August 1988.

The Directors of the Company in office at the end of the period, and their interests in the share capital of the Company, were as follows:

	Ordinary shares of 5p each			*55% Convertible Preference shares of 10p each*		
	16 October 1989	**30 June 1989**	*30 April 1988*	**16 October 1989**	**30 June 1989**	*30 April 1988*
Beneficial						
P J Scott	**663,203**	**663,203**	829,672	**52,810**	**62,810**	62,810
R Wight	**712,152**	**712,152**	1,359,782	**72,745**	**72,745**	72,745
M J Ball	—	—	—	—	—	—
A Biss	**256,763**	**256,763**	374,145	—	—	—
R T S Breene	**12,700**	**12,700**	27,200	—	—	—
F S Law	**2,033**	**2,033**	—	—	—	—
L McNamee (US citizen)	**92,492**	**92,492**	92,492	—	—	—
G M Magan	**20,000**	**20,000**	20,000	—	—	—
S M Olswang	**53,826**	**53,826**	33,494	**8,165**	**8,165**	8,165
A P Pascoe	**535,530**	**535,530**	368,571	—	—	—
A D Rutherford	**891,398**	**891,398**	1,041,398	**71,930**	**71,930**	71,930
C R Stern	**3,000**	**3,000**	2,000	—	—	—
Non-beneficial						
P J Scott	**128,911**	**128,911**	203,116	**24,460**	**24,460**	24,460
R Wight	**228,014**	**228,014**	345,384	**34,675**	**34,675**	34,675
L McNamee (US citizen)	**40,680**	**40,680**	79,430	—	—	—
A P Pascoe	**90,161**	**90,161**	53,280	—	—	—
A D Rutherford	**192,250**	**192,250**	192,250	**34,675**	**34,675**	34,675

None of the Directors has any interest in the 51.1% Convertible Preference shares of 10p each.

Ordinary shares of 5p each for which Directors have options to subscribe are as follows:

	Option Price	*Exercisable by*	**16 October 1989**	**30 June 1989**	*30 April 1988*
P J Scott	225p	1998	**275,000**	**275,000**	—
R Wight	249p	1999	**200,000**	**200,000**	—
M J Ball	249p	1992	**80,000**	**80,000**	—
A Biss	249p	1999	**200,000**	**200,000**	—
R T S Breene	170p-261.5p	1993-1999	**500,000**	**500,000**	300,000
C R Stern	225p	1998	**200,000**	**200,000**	—

During the period, A Biss received Ordinary shares in The WCRS Group plc with a market value of £447,040 as deferred consideration for the acquisition of Biss Lancaster plc. A P Pascoe received Ordinary shares with market values of £1,907,546 (beneficial) and £647,281 (non-beneficial) as deferred consideration for the acquisition of Alan Pascoe Associates Limited. L McNamee and J Della Femina each received US $500,000 under the revised earnout arrangements following the reorganisation of the US advertising agencies.

Subsequent to the period end, M J Ball received £250,000 in respect of further consideration for the acquisition of The Ball Partnership.

G M Magan is a Director of J O Hambro Magan & Co. Limited which charged fees of £50,000 during the period. S M Olswang is a partner of Simon Olswang & Co, Solicitors, which charged fees of £745,000 during the period.

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1989 14 months £000	1988 12 months £000
UK corporation tax at 35.0% (1988–35.0%) based on profit for the period	795	2,873
Overseas taxation	176	1,937
Transfer (from)/to deferred taxation	(147)	956
	824	5,766
Related companies—UK corporation tax	—	74
—Overseas taxation	15,932	374
	16,756	6,214

10. EXTRAORDINARY ITEMS

	1989 14 months £000	1988 12 months £000
Total costs and losses in respect of the rationalisation of the Group into three divisions and the subsequent disposal or closure of the retail design businesses—The Saunders Design Company Limited and Lunn Dyer Group Pty. Limited, and the medical public relations business—Glick & Lorwin, Inc.	2,209	—
Less: tax relief where appropriate at 35.0%	(264)	—
Costs of obtaining a listing of the Company's American Depository Receipts on NASDAQ in the USA	—	283
	1,945	283

11. DIVIDENDS

	1989 14 months		1988 12 months	
	£000	£000	£000	£000
PREFERENCE				
55% Convertible Cumulative Redeemable Preference shares of 10p each		1,181		1,005
51.1% Convertible Cumulative Redeemable Preference shares of 10p each		148		38
ORDINARY				
Interim dividend of 1.65p (1988 –1.35p) per share	835		623	
Final proposed dividend of 3.35p (1988 –2.60p) per share	1,910		1,180	
		2,745		1,803
		4,074		2,846

12. EARNINGS PER ORDINARY SHARE

Basic. The calculation of earnings per Ordinary share is based on earnings net of tax, minority interests and preference dividends, but before extraordinary items, of £14,343,000 (1988–£10,190,000) and an average number of Ordinary shares in issue during the period of 47,960,000 (1988–43,478,000).

Fully diluted. The calculation of fully diluted earnings per Ordinary share is based on earnings net of tax, but before preference dividends and extraordinary items, of £16,126,000 and an average number of shares of 59,906,000. Earnings include £454,000 being the effect of the exercise of conversion rights under the Company's share option schemes.

13. TANGIBLE FIXED ASSETS

Group:

	Freehold Land & Buildings £000	*Long Leasehold* £000	*Short Leasehold* £000	*Leasehold Improvements* £000	*Office Furniture Fixtures & Equipment* £000	*Motor Vehicles* £000	*Total* £000
Cost at beginning of period	113	24	1,119	8,679	11,577	2,892	24,404
Additions	4	15	37	2,526	3,309	1,247	7,138
Disposals	(8)	–	(555)	(1,086)	(1,528)	(2,035)	(5,212)
Exchange rate adjustments	1	5	–	1,671	1,742	161	3,580
At end of period	110	44	601	11,790	15,100	2,265	29,910
Depreciation at beginning of period	–	–	70	2,217	5,226	588	8,101
Provided for the period	–	3	24	816	1,950	435	3,228
Disposals	–	–	(70)	(759)	(925)	(356)	(2,110)
Exchange rate adjustments	–	–	–	425	840	62	1,327
At end of period	–	3	24	2,699	7,091	729	10,546
Net book value at 30 June 1989	110	41	577	9,091	8,009	1,536	19,364
Net book value at 30 April 1988	113	24	1,049	6,462	6,351	2,304	16,303

The net book value of assets held under finance leases included in the above at 30 June 1989 is £1,450,000 (1988–£2,164,000).

Company:

	Freehold Land & Buildings £000	Long Leasehold £000	Short Leasehold £000	Leasehold Improvements £000	Office Furniture Fixtures & Equipment £000	Motor Vehicles £000	Total £000
Cost at beginning of period	100	—	—	75	85	117	377
Transferred from group companies	—	—	530	—	—	296	826
Additions	4	—	—	17	154	94	269
Disposals	—	—	—	(72)	(1)	(418)	(491)
At end of period	104		530	20	238	89	981
Depreciation at beginning of period	—	—	—	15	17	19	51
Transferred from group companies	—	—	—	—	—	88	88
Provided for the period	—	—	20	3	31	33	87
Disposals	—	—	—	(18)	(8)	(104)	(130)
At end of period	—	—	20	—	40	36	96
Net book value at 30 June 1989	104	—	510	20	198	53	885
Net book value at 30 April 1988	100	—	—	60	68	98	326

The net book value of assets held under finance leases included in the above at 30 June 1989 is £8,000 (1988–£20,000).

Capital commitments:

	Group 1989 £000	Group 1988 £000	Company 1989 £000	Company 1988 £000
Contracted but not provided	**30**	2,548	—	—
Authorised but not contracted for	**167**	642	—	—

14. FIXED ASSET INVESTMENTS

Group:

	Related Companies: Share of Tangible Net Assets £000	Related Companies: Premium £000	Related Companies: Total £000	Other Investments: UK Listed £000	Other Investments: Unlisted £000	Total Investments £000
At beginning of period	4,942	—	4,942	1,502	269	6,713
Additions at cost	20,058	55,969	76,027	1,003	—	77,030
Goodwill written-off	(15,066)	(55,969)	(71,035)	—	—	(71,035)
Profit retained in related companies	15,819	—	15,819	—	—	15,819
Reclassifications	(9,031)	—	(9,031)	—	(269)	(9,300)
Exchange rate adjustments	1,672	—	1,672	—	—	1,672
At end of period	18,394	—	18,394	2,505	—	20,899

Company:

	Cost of Shares in Subsidiary Companies £000	Cost of Shares in Related Companies £000	Other Investments UK Listed £000	Other Investments Unlisted £000	Total Investments £000
At beginning of period	86,482	8,880	1,502	269	97,133
Additions	11,594	250	1,003	—	12,847
Disposals and reclassifications	(1,113)	—	—	(269)	(1,382)
At end of period	96,963	9,130	2,505	-	108,598

Included in other investments in both Group and Company are UK listed investments with a market value at 30 June 1989 of £2,411,000 (1988 – £1,393,000).

Principal subsidiaries:

	Principal Country of Incorporation and Operation	Class of Share	Effective Interest in Issued Share Capital	Nature of Business
WCRS Mathews Marcantonio Limited	UK	Ordinary	80%	Advertising agents
FCO Limited	UK	Ordinary	80%	Advertising agents
Biss Lancaster plc	UK	Ordinary	100%	Public relations
Lay & Partners Limited	UK	Ordinary	60%	Public relations
Siebert/Head Limited	UK	Ordinary	100%	Design consultants
WCRS // dma Limited	UK	Ordinary	80%	Direct response
Alan Pascoe Associates Limited	UK	Ordinary	100%	Sponsorship
Della Femina, McNamee WCRS, Inc.	USA	Ordinary	80%	Advertising agents
Robert A Becker, Inc.	USA	Ordinary	80%	Advertising agents
Creamer Dickson Basford, Inc.	USA	Ordinary	100%	Public relations
Heller Breene, Inc.	USA	Ordinary	100%	Design consultants
Corporate Graphics, Inc.	USA	Ordinary	100%	Corporate design
Cohn & Wells, Inc.	USA	Ordinary	80%	Direct response
The Ball WCRS Partnership	Australia Hong Kong Singapore Thailand Malaysia	Ordinary	80%	Advertising agents

Related companies:

Carat Holding SA (acquired 19 May 1988)	France Germany Spain UK Italy	Ordinary	50%	Media buying and planning
Goodall Alexander O'Hare & Co. Limited	UK	Ordinary	47%	Strategic consultants
Anderson Hughes Ball WCRS Limited	New Zealand	Ordinary	32%	Advertising agents
The Ball WCRS Partnership (Taiwan) Limited (acquired 26 September 1988)	Taiwan	Ordinary	32%	Advertising agents
Groupe Bélier WCRS SA	France Italy The Netherlands	Ordinary	49%	Advertising agents

15. DEBTORS

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Trade debtors	61,082	53,421	—	—
Amounts due from group companies	—	—	84,289	12,475
Amounts due from related companies	10,910	361	10,667	300
Other debtors	6,559	8,049	2,111	2,801
Advance corporation tax recoverable	637	393	637	393
Prepayments and accrued income	4,258	4,593	296	100
	83,446	66,817	98,000	16,069

Included in amounts due from related companies is an interest-free loan of £300,000 due for payment after more than one year.

All other amounts under debtors fall due for payment within one year.

16. CURRENT ASSET INVESTMENTS

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
UK listed investments	—	760	—	625
Unlisted investments	—	7	—	—
	—	767	—	625
Market value of UK listed investments	—	4,115	—	4,115

17. CREDITORS

Amounts falling due within one year:

	Group 1989 £000	Group 1988 £000	Company 1989 £000	Company 1988 £000
Bank loans and overdrafts	1,980	3,649	11,009	4,002
Trade creditors	78,031	49,498	—	—
Work in progress	1,717	—	—	—
Finance leases and hire-purchase contracts	953	1,191	34	7
Amounts due to group companies	—	—	7,438	4,024
Amounts due to related companies	1,829	—	14	—
Creditors for taxation and social security	2,825	2,573	252	111
Corporation tax	2,801	2,950	737	220
Dividends payable	2,385	1,461	2,385	1,461
Other creditors	11,239	8,243	7,974	2,612
Accruals and deferred income	10,125	4,584	443	412
	113,885	74,149	30,286	12,849

Bank loans and overdrafts are secured by a fixed and floating charge on certain Group assets.

18. CREDITORS

Amounts falling due after more than one year:

	Group 1989 £000	Group 1988 £000	Company 1989 £000	Company 1988 £000
Debenture loan	1,526	1,526	1,526	1,526
Bank loans and overdrafts	70,018	1,911	70,018	1,780
Finance leases and hire-purchase contracts	956	2,544	38	11
Other creditors	6,627	3,104	2,157	183
Accruals and deferred income	1,198	2,313	—	—
	80,325	11,398	73,739	3,500

The debenture loan constitutes WCRS unlisted non-interest bearing convertible secured loan stock 1992 and was issued as part consideration for the acquisition of The Ball Partnership. It is convertible into Ordinary shares at a price of 315p per share, 50% in 1990 and 50% in 1992. The conversion price is dependent on the achievement of certain profit targets.

Bank loans and overdrafts are represented by a multi-currency Term Loan for the acquisition of a 50 per cent interest in Carat Holding SA, which is secured by a floating charge over the shares of certain subsidiaries. Included in the Term Loan are amounts totalling £17,518,000 payable in two equal instalments in November 1994 and May 1995.

All obligations under finance leases and hire-purchase contracts will be discharged between one and five years from the date of the balance sheet.

Included in other creditors are amounts totalling £1,130,000 (1988–£787,000) repayable in equal annual instalments from 1994 to 1997.

19. PROVISIONS FOR LIABILITIES AND CHARGES: DEFERRED TAXATION

	Group £000	Company £000
At beginning of period	442	737
Exchange differences	49	–
Credited to profit and loss account	(147)	–
Other	207	(737)
At end of period	551	–

Analysis of deferred taxation:

	Group		Company	
	Amount provided £000	Amount unprovided £000	Amount provided £000	Amount unprovided £000
Accelerated capital allowances	579	–	–	–
Other timing differences	(28)	–	–	–
	551	–	–	–

20. SHARE CAPITAL

	1989 £000	1988 £000
Authorised:		
73,000,000 (1988–73,000,000) Ordinary shares of 5p each	3,650	3,650
19,000,000 (1988–19,000,000) 55% Convertible Cumulative Redeemable Preference Shares 1999 of 10p each	1,900	1,900
6,000,000 (1988–6,000,000) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	600	600
	6,150	6,150
Allotted, called-up and fully paid:		
50,205,320 (1988–45,391,302) Ordinary shares of 5p each	2,511	2,270
18,406,455 (1988–18,406,950) 55% Convertible Cumulative Redeemable Preference Shares 1999 of 10p each	1,841	1,841
2,482,788 (1988–2,482,788) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	248	248
	4,600	4.359

On 7 June 1988, 17,318 Ordinary shares of 5p each with a total value of A$100,000 were issued as a deferred payment for the acquisition of Lunn Dyer Group Pty. Limited.

On 27 June 1988, 57,534 Ordinary shares of 5p each were issued at a price of 260.714p per share as initial consideration for the acquisition of Complete Response Company (Holdings) Limited.

On 8 August 1988, 449,355 Ordinary shares of 5p each were issued at a price of 244.795p per share as a deferred payment for the acquisition of Biss Lancaster plc.

On 26 September 1988, 171,755 Ordinary shares of 5p each were issued at a price of 262p per share as initial consideration for the acquisition of Intelligent Advertising Agency Limited.

On 26 September 1988, 5,644 Ordinary shares of 5p each with a total value of A$26,783 were issued as a deferred payment for the acquisition of Garland Stewart & Roache Pty. Limited.

On 30 September 1988, 64,396 Ordinary shares of 5p each with a total value of A$279,166.50 were issued as a deferred payment for the acquisition of the PKB Group.

On 3 October 1988, 495 5.5% Convertible Cumulative Redeemable Preference shares 1999 of 10p each were converted into 206 Ordinary shares of 5p each.

On 19 October 1988, 111,784 Ordinary shares of 5p each were issued at a price of 208.7p per share as a deferred payment for the acquisition of FCO Limited.

On 31 October 1988, 9,131 Ordinary shares of 5p each were issued to shareholders who elected to receive shares instead of cash in respect of the final dividend payable for the year ended 30 April 1988.

On 31 October 1988, 154,743 Ordinary shares of 5p each were issued at a price of 213.7p per share as a deferred payment for the acquisition of Siebert/Head Limited.

On 8 November 1988, 1,286,795 Ordinary shares of 5p each were issued at a price of 203.2p per share as a deferred payment for the acquisition of Alan Pascoe Associates Limited.

On 8 November 1988, 200,958 Ordinary shares of 5p each with a total value of US $750,000 were issued pursuant to the Della Femina, McNamee WCRS, Inc. Reorganisation Agreement.

On 8 November 1988, 637,114 Ordinary shares of 5p each with a total value of US $2,409,448 were issued as a deferred payment for the acquisition of Cohn & Wells, Inc.

On 14 December 1988, 1,235,820 Ordinary shares of 5p each with a total value of FF26,000,000 were issued as a deferred payment for the acquisition of Carat Espace SA.

On 10 January 1989, 26,536 Ordinary shares of 5p each with a total value of A$100,000 were issued as a deferred payment for the acquisition of Lunn Dyer Group Pty. Limited.

On 8 March 1989, 69,000 Ordinary shares of 5p each were issued on the exercise of certain share options.

On 20 March 1989, 4,000 Ordinary shares of 5p each were issued on the exercise of certain share options.

On 20 March 1989, 66,686 Ordinary shares of 5p each with a total value of US $250,000 were issued pursuant to the Della Femina, McNamee WCRS, Inc. Reorganisation Agreement.

On 11 April 1989, 232,937 Ordinary shares of 5p each were issued at a price of 203.2p per share as a deferred payment for the acquisition of Alan Pascoe Associates Limited.

On 28 April 1989, 12,306 Ordinary shares of 5p each were issued to shareholders who elected to receive shares instead of cash in respect of the interim dividend payable for the fourteen months ended 30 June 1989.

Under the executive share option scheme there are 3,353,000 Ordinary shares over which the participants have the right to exercise options at prices ranging from 73.75p to 315p, exercisable between 1 July 1989 and 12 May 1996.

The 55% Convertible Cumulative Redeemable Preference shares 1999 are convertible into fully paid Ordinary shares in each of the years 1989 to 1998 on the basis of 2.075p in nominal amount of Ordinary shares for every 10p in nominal amount of 55% Convertible Cumulative Redeemable Preference shares 1999 so converted.

The 51.1% Convertible Cumulative Redeemable Preference shares are convertible into fully paid Ordinary shares on any working day after the second anniversary of their date of issue and before the fifth anniversary of their date of issue on the basis of 1.923p in nominal amount of Ordinary shares for every 10p in nominal amount of 51.1% Convertible Cumulative Redeemable Preference shares so converted.

21. RESERVES

Group:

	Share Premium Account £000	Goodwill Reserve £000	Merger Reserve £000	Profit & Loss Account £000
At beginning of period	579	(11,386)	–	13,089
Premium on Ordinary shares issued, less expenses	2,402	–	–	–
Goodwill arising in the period written-off	–	(81,541)	–	–
Exchange translation	–	(5,089)	–	1,707
Retained profit for the period	–	–	–	9,653
At end of period	2,981	(98,016)	–	24,449

Company:

	Share Premium Account £000	Goodwill Reserve £000	Merger Reserve £000	Profit & Loss Account £000
At begining of period	579	–	86,762	5,367
Premium on Ordinary shares issued, less expenses	2,402	–	–	–
Merger reserve arising on acquisition of subsidiaries	–	–	7,705	–
Exchange translation	–	–	–	–
Retained profit for the period	–	–	–	(3,957)
At end of period	2,981	–	94,467	1,410

Goodwill arising in the period is attributable mainly to the acquisition of a 50% holding in Carat Holding SA and the development of the Group's advertising and media buying businesses, in addition to deferred payments made during the period.

Where shares were issued as consideration for acquisitions during the period, the investment has been stated at full consideration, with any excess of the market value of the shares issued over their nominal value taken to the merger reserve.

22. CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT PROVIDED

Additional capital payments may be made to the vendors of certain subsidiaries and related companies in the years to 1996. Such payments are contingent on the future levels of profits achieved by the companies. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the maximum liability at 30 June 1989 for payments that may be due is as follows:

	£000
Within one year	15,524
From two to five years	54,980
Over five years	3,958
	74,462

At the Group's discretion, up to £59,461,000 of the contingent payments may be discharged in the form of Ordinary shares.

At 30 June 1989, there were the following commitments in respect of non-cancellable operating leases for the following year:

	Group		Company	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases that expire:				
Within one year	234	562	—	235
From two to five years	1,503	458	—	85
Over five years	6,258	—	1,018	—
	7,995	1,020	1,018	320

23. POST BALANCE SHEET EVENTS

On 18 October 1989, the Company announced that conditional agreements had been reached:

(a) to acquire the remaining 50 per cent interest in its related company, Carat Holding SA, the consideration for which is FFr 2,020 million of which FFr 1,000 million is deferred; and

(b) to reduce the interest in its subsidiary, WCRS Advertising Limited, from 80 per cent to 40 per cent and the interest in its related company, Groupe Bélier WCRS SA, from 49 per cent to 40 per cent, by means of a disposal of shares to Eurocom SA for £43.5 million.

Stoy Hayward

To the Members of The WCRS Group plc

We have audited the financial statements on pages 41 to 59 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 1989 and of the profit and source and application of funds of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward
8 Baker Street
London W1M 1DA

Stoy Hayward

24 October 1989

FINANCIAL HISTORY AND FINANCIAL CALENDAR

	1985 12 months £000	1986 12 months £000	1987 12 months £000	1988 12 months £000	**1989 14 months £000**
Turnover	36,267	56,108	331,148	407,687	**568,867**
Profit before tax	1,484	2,611	10,108	18,253	**38,102**
Tax charge	706	1,044	4,002	6,214	**16,756**
Profit after tax	778	1,567	6,106	12,039	**21,346**
Extraordinary items	26	—	—	283	**1,945**
Retained profit	552	1,244	4,338	8,104	**9,653**
Earnings per Ordinary share (basic)*	4.99p	8.77p	17.59p	23.44p	**29.91p**
Dividends per Ordinary share*	1.17p	1.77p	3.04p	3.95p	**5.00p**

**Adjusted for bonus and rights issues and subdivision of shares.*

October 1989. Preliminary announcement of full period results.

November 1989. Publication of annual report.

December 1989. Annual General Meeting.

January 1990. Payment of final dividend.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 10:30 am on 4 December 1989 at 172 Drury Lane, London WC2 for the purpose of transacting the ordinary business of the Annual General Meeting set out in resolutions 1 to 6, and special business, when resolution 7 will be proposed as an ordinary resolution and resolution 8 as a special resolution.

Ordinary business.

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the period ended 30 June 1989 and the Auditors' Report thereon;

2. To declare a final dividend;

3. To re-elect as a Director of the Company S M Olswang who retires by rotation and, being eligible, offers himself for re-election;

4. To re-elect as a Director of the Company A P Pascoe who retires by rotation and, being eligible, offers himself for re-election;

5. To re-elect as a Director of the Company C R Stern who retires by rotation and, being eligible, offers himself for re-election;

6. To reappoint Stoy Hayward as Auditors for the Company and to authorise the Directors to fix their remuneration.

Special business.

Ordinary resolution.

7. That:
   - (a) pursuant to the provisions of the Articles of Association of the Company, the Directors of the Company be and they are hereby authorised and empowered to grant to holders of Ordinary shares in the Company the right to take their dividends wholly or partly by way of new Ordinary shares credited as fully paid rather than in cash in respect of all dividends payable before the next Annual General Meeting of the Company;
   - (b) an amount equal to that part of the final dividend declared in respect of the period ended 30 June 1989 which, apart from this Resolution, would be paid on 4 January 1990 to those holders of Ordinary shares registered at the close of business on 3 November 1989 who have elected to receive Ordinary shares instead of, or together with, a cash dividend, be applied in paying up in full new Ordinary shares of 5 pence each in the capital of the Company by way of capitalisation of monies standing to the credit of the reserves of the Company;
   - (c) such new shares be issued and allotted, credited as fully paid up, to those holders of Ordinary shares entitled who have so elected so that such new shares shall rank pari passu in all respects with the existing issued Ordinary shares of the Company except that they shall not rank for payment of the said final dividend on 4 January 1990;
   - (d) the provisions of sub-paragraphs (b) and (c) of this Resolution shall apply, mutatis mutandis, to any interim dividend declared in respect of the period commencing 1 July 1989.

Special resolution.
8. That the Company be and it is hereby authorised to purchase its Ordinary shares and its 55 per cent Convertible Preference shares by way of market purchase (as defined in Section 163 of the Companies Act 1985) upon and subject to the following conditions:

(i) the maximum number of shares which may be purchased is 2,600,000 Ordinary shares of 5p each and 920,000 55 per cent Convertible Cumulative Redeemable Preference shares 1999 of 10p each;

(ii) the maximum price at which any share may be purchased is the price equal to 5 per cent above the average of the middle market quotations of such share as derived from the Daily Official List of The International Stock Exchange for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share; and

(iii) the authority to purchase conferred by this Resolution shall expire on the date of the next Annual General Meeting provided that any contract for the purchase of any shares as aforesaid which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

By Order of the Board

RMJ Andrews, Secretary
41/44 Great Queen Street
London WC2B 5AR

Dated the 9th day of November 1989

Notes

A Member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed for your use and, if used, should be deposited with the Company's Registrars (The Royal Bank of Scotland plc, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh) not less than 48 hours before the time appointed for the holding of the Meeting. Completion of the proxy will not affect the right of a member to attend and vote at the Meeting.

During the period from the date of this Notice until the date of the Meeting, there will be available for inspection at the Company's Registered Office during normal business hours on any weekday (Saturdays excepted) and on the date of the Meeting until the completion of the Meeting:

a. Copies of all Directors' service contracts with the Company;

b. Particulars of transactions of Directors and their family interests in the shares of the Company up to and including the date of this Notice.