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RUTHERFORD SCOTT

DINGS, INC.

ANNUAL  
REPORT &  
ACCOUNTS  
YEAR ENDED  
30th APRIL 1986

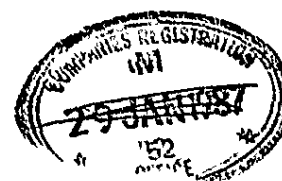
17 FEB 1987  
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OFFICE

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## FINANCIAL HIGHLIGHTS

YEAR ENDED 30th APRIL	1986	1985	INCREASE %
TURNOVER	£56.4M	£36.2M	76
PROFIT BEFORE TAX		£1.484M	75
EARNINGS PER SHARE (actual tax charge)		11.74p	75
DIVIDEND PER SHARE		2.75p	55

## CHAIRMAN'S STATEMENT

By Robin Wight



Last year I promised shareholders results that "would be outstanding by any measure."

No fine words are needed to garnish the figures: Profits up 76% to £2.61 million, and earning per share up to 20.64p.

But the performance goes well beyond these figures.

Not only did the WCRS agency become the fastest growing top twenty agency in Britain, reaching the 15th position in our financial year.

Not only did Biss Lancaster accelerate their progress to become the youngest PR consultancy in the PR top ten.

But the WCRS Group made two key moves.

The highly creative FCO agency became our second agency in London. And we also acquired the fast growing HBM Creamer agency in America, which is already the 24th largest agency in the world's largest advertising market.

Together these moves do more than strengthen the company's position in Britain. They make us a major player on the world's advertising stage.

This doesn't mean that we have succumbed to the shallow appeals of "global advertising". Rather, we believe that we'll be able to offer our clients a rare combination in two of the world's largest advertising markets: The understanding of a local advertising agency with the resources of an international one.

In total, these acquisitions (which occurred shortly after the ending of the financial year) will move the Group's total billing, included grossed up fees, to approaching £400 million. And our staff to 1049.

It is to maintain their spirit, enthusiasm and commitment that is the central task of the managers of the WCRS Group in the years ahead.

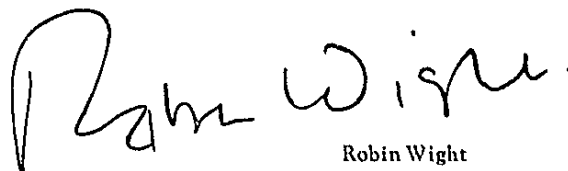
With their support I have no doubt that our growth will continue as we maintain and indeed increase the services that we offer.

To all of our clients, staff and shareholders I owe my thanks at the end of this exciting year.

Seven and a half years ago we didn't exist. Today we've become the second largest British advertising group.

We will not however rest on our laurels. We now have a bigger mountain to climb.

I look forward to reporting next year how the ascent is continuing apace.



Robin Wight

# OPERATIONS REVIEW - THE LAST 365 DAYS

by Peter Scott



R.H.M. FOODS-SHARWOODS



CHEFARO PROPRIETARIES  
BERGASOL



BMW



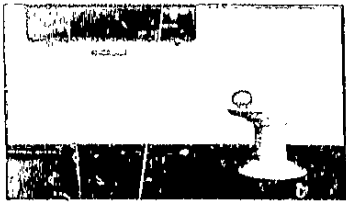
DANISH BACON

In view of the Group's recent announcements of significant US and UK acquisitions, I suppose that it is inevitable that any attempt to review the year just past will be overwhelmed by anticipation of the year ahead. That would be a pity for exciting as these developments are for us they must not be allowed to overshadow the outstanding progress achieved by the Group operating companies throughout the year.

The world in which we operate continues to undergo fundamental change – part of which we applaud and encourage – and part of which leaves us, as advertising and public relations practitioners, confused and baffled. Since my last report to you a further fourteen advertising/ public relations/communications groups have sought listings on the UK stock market. Analysts tell us that there have been more new issues in this sector than anywhere else in the market. We welcome these companies to the public sector in the belief that management disciplines, professionalism and ambition are all improved dramatically as companies come under the scrutiny of outside investors.

At the other end of the spectrum, the recent procession of mega-mergers has left us somewhat baffled. We continue to believe that pursuit of size as an absolute goal is the wrong driving force for any service industry company; we view the pursuit of excellence as a far more meaningful rallying cry than the pursuit of volume for its own sake. In this context it is difficult to conclude that these mega-mergers have been conceived in the clients' best interest. Already we have seen signs of significant client re-alignment following on from these developments: we and many other commentators believe this aftershock may continue for some time yet. As Robert V Goldstein, head of advertising at Procter & Gamble, said recently: "The client chapter on these mega-mergers has yet to be written."

It is now three and one-half years since this Group made its first tentative steps as a public company. Over this time the company has moved from a one dimensional advertising agency with turnover of £4 million, to an expanded group of advertising, public relations and design linked companies which in the year ahead will achieve turnover approaching £400 million. This growth has been achieved as a result of careful preparation and strategic planning supported by the constant development and restructuring of management resource.



ZANUSSI

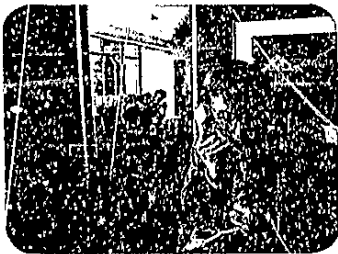
HOURS FASTER  
(THEIRS SLOWER)

QANTAS



Peter Scott

Tim Breene



BRITISH TELECOM INTERNATIONAL

GROWTH PERFORMANCE OF  
TOP AGENCIES 1986 v 1985

WCRS	+ 62.0
AMV	+ 58.1
LHS	+ 43.5
O&M	+ 33.9
DORLANDS	+ 33.6
LINTAS	+ 29.1
McCANN	+ 28.6
CDP	+ 24.5
BMP	+ 21.5

SOURCE MEAL

+ IF YOU DON'T READ TODAY, TRY THESE. +



TODAY The Paper That's Broken The Rules.

NEWS UK

One of our most important steps during the year involved the separation and development of the Group management resource. Andrew Rutherford (Executive Creative Director) and John McKimmie (Group Finance Director) have moved up to concentrate most of their time on Group issues. At the same time we recognised the need to recruit new skills into Group Management and after many months of careful searching and screening were fortunate in persuading Tim Breene to join as Deputy Chief Executive of the Group. Tim's background as a client at Mars and Unilever and more recently as a partner in the London office of McKinsey brought considerable new skills and resources to the Group.

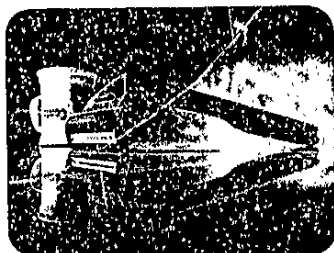
Wight Collins Rutherford Scott & Partners enjoyed a phenomenal year of growth – benefiting in particular from the management restructuring that was put into place two years ago.

According to Campaign magazine, WCRS entered the top-20 for the first time in 1985; new business developments since then have further strengthened the agency's position to the point where we believe that it is at or near a top-fifteen position. A new five-year plan has been developed by the agency management which focuses on developing into a top-ten agency within the next five years whilst prioritising the ambition of developing a reputation above all others. Considerable progress towards this qualitative goal has been made during the last two years; the agency is consistently rated amongst the top five agencies on all qualitative dimensions, but the competition is tough as there is a growing list of excellent agencies pushing us hard. We will never be able to rest on our laurels and will always be striving to improve our product and our service.

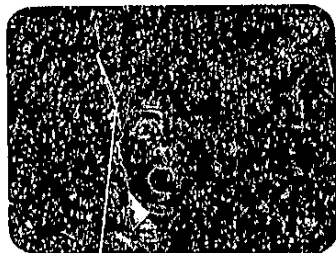
The agency enjoyed its best year ever in terms of new client assignments and new work. In the 1985 calendar year WCRS won new business in excess of £25 million. In the first half of 1986 a further £25 million of new business was added from existing and new clients alike. According to MEAL, the agency was rated as the fastest growing agency in the UK top-20 for the 12 months ended April 1986. In the early months of this year, much of our new work has appeared in the media generating much favourable comment in the advertising trade press. I would single out campaigns for Today, Midland Bank and for British Telecom as well as fresh and innovative developments for such long-running campaigns as Carling Black Label, BMW and Qualcast.



RECKITT & COLMAN DISPRIN



WILKINSON RAZOR



MIDLAND BANK GIANT



Adele Biss Graham Lancaster

**WCRS VOTED FIRST IN HARRIS POLL.**

In a recent study among major UK companies the question was asked: If you were considering changing agencies, which, if any of the agencies on this card would you consider? Of the 31 biggest agencies named WCRS got the top vote.

In applauding the creative product – the most visible part of any agency's output – we equally applaud the contribution from all sections of the agency, Planning, Account Management, Media and Production. Continuation of our central buying assignments from clients has placed our Media Department where it would be ranked sixth in size if it were operating as an independent buying shop.

A recent research study by Harris ranked WCRS first as an agency clients would most likely consider if they were moving their business.

All in all the agency looks set to continue the success of the last year.

*Biss Lancaster*

Biss Lancaster's first full year as a member of the Group coincided with a remarkable surge of new business and skill development. At the time of the acquisition last year, the company moved to new offices in Soho which finally freed management and staff from the physical constraints that were previously impeding growth. And grow they did, with a remarkable string of new business gains that included Guinness, Bell's Whisky, Manpower Service Commission, and Woolworth.

As a result of this, Biss Lancaster gained a top-10 position in UK rankings and is judged to be one of the fastest growing consultancies in the UK top-10. Further, it is the youngest PR Group in the top ten and the only one to have achieved this position through purely organic growth.

Beyond growth, it has been rewarding to see the consultancy developing new skill areas that will provide the basis for future growth and development. In particular, I would single out their very central role as consultants to Woolworth in their defence of the Dixons bid. On the basis of this the management of Biss Lancaster is actively exploring opportunities for formalising a City Financial Division: as we continue to view this area as a major growth opportunity for Biss Lancaster.

As management looks to the future perhaps the only real constraint relates to their ability to find and secure top talent of which there is a genuine lack within the public relations industry. Because of



3M UNITED KINGDOM



CARLING BLACK LABEL

this Biss Lancaster has a very active graduate recruitment and training programme, the benefits of which are beginning to flow through at middle management level.



#### Foster's Australia Day Challenge.

To attract press and consumer attention on Foster's on Australia Day, Lay & Partners organised the Aus' Day Challenge - a race from Perth to Victoria staged over the last weekend of January. Celebrities, bona fide Aussies and ILR DJ's competed in stunt challenges in major city centres - including a convict chain race on a replica of Bondi Beach built outside Victoria Station. Winning teams shared a charity prize of £6,000 and the event was seen on TV in the UK and across Australia.

#### Lay and Partners

Lay & Partners, a PR consultancy specialising in media promotions, commenced trading in December 1985. The company is headed by Philip Lay, and is backed by the Group, which holds a 66% equity stake in the new venture.

The company has made an encouraging start, attracting clients of the calibre of Watney Mann & Truman Brewers, Anheuser-Busch, Qantas and ARA Services in its early trading history. Lay & Partners broke even at the end of its first six months of operation, and a modest profit is forecast in its first full year.

#### Parkway Studio

Parkway was established as a joint venture operation in 1983.

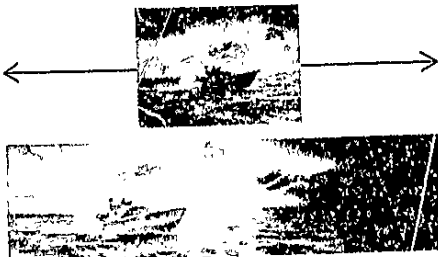
The company operates as a finished artwork supplier with both colour and black & white facilities. WCRS has a 25% interest in the group: the remaining shares are divided between two leading agencies and the founder management.

In early 1985 Parkway acquired one of its major competitors and since that time has gone from strength to strength. The range of services now extend to photography and an art studio, and profit has grown steadily in line with the growing volume of business.

New technology tests are now being undertaken and while it is still too early to judge the impact, initial signs are extremely encouraging.

Future technology - particularly in the area of colour retouching - opens up many new possibilities for the company to extend and expand its business base. We remain confident that our investment will continue to benefit the group as a whole.

On behalf of shareholders I would like to thank the 227 incredibly energetic and committed advertising and PR specialists who have sustained the group's success over the past year.

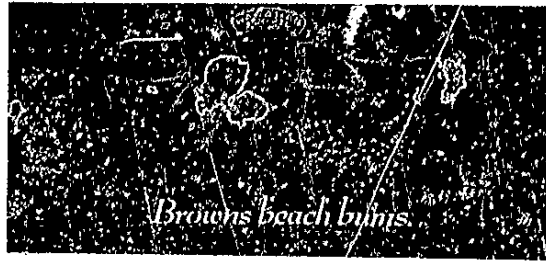


Parkway Studio expands BMW Marine's horizons. From a small 35mm transparency it was able to extend the image across two pages of a magazine.





C.O.I. TEENAGE ANTI SMOKING



HAWAIIAN TROPIC (UK)

PITTSBURGH



KALIBER ALCOHOL FREE LAGER

### Recent Developments

It seems appropriate now to turn to the Group's most recent developments – the acquisition of FCO in London and of HBM Creamer in the USA.

For some time now, Group management has recognised that continued strong organic growth would present issues of client conflict and international alignment that, unless tackled, could hamper the Group's progress in the years ahead.

In the UK we have taken the well proven route of establishing a second agency brand through the acquisition of FCO. In looking for a second agency partner we sought to identify a young agency that would benefit from becoming a member of the Group and which had already established an outstanding record for its creative work. In FCO we have an exciting and outstandingly creative agency that we believe will benefit and flourish as a member of the Group.

The company was restructured by the current management following a management buyout from the French agency group, Univas, in 1983. Despite a somewhat fragile financial and client base at that time, the agency pursued creative excellence without compromise and produced some of its best ever work during this period. FCO ranks amongst the most creative agencies in the UK and continues to produce truly outstanding work on behalf of National Panasonic, Guinness, COI (Anti Smoking) and TI Raleigh.

Since the acquisition was announced, FCO has captured the P&O Cruise account and looks set for considerable new business success.

It is our intention that FCO will remain as an entirely separate and at times competitive agency within the Group.

### HBM Creamer

At a time of mega-mergers it is nice to be able to report that our acquisition of HBM Creamer is very much an old fashioned deal conceived to be in the clients' and employees' best interests.

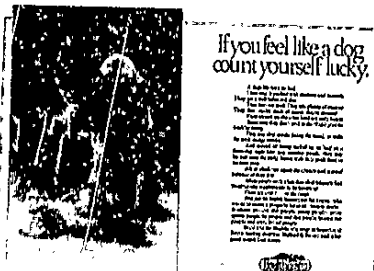
For some time the Group has recognised that as the only top-20 agency without equity links internationally, we were effectively cutting ourselves off from a major portion of client business.



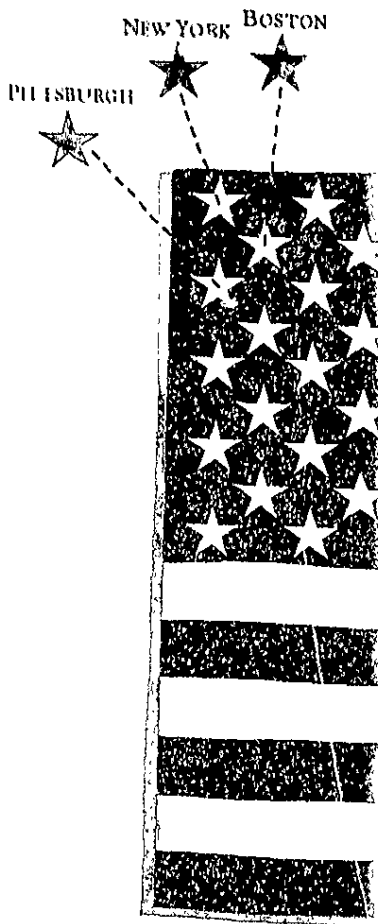
Richard French Richard Hall  
FCO



RALEIGH BIKES



BOOKER McCONNELL



Edward Eskandarian



Harold L. Strauss



Michael F. Pedone



Donald E. Creamer

### *HBM Creamer*

It was decided in 1985 to begin the search for a US partner that would provide us with a considerable presence in the US market and at the same time present opportunities for both companies to benefit from management and creative skill transfer.

HBM Creamer was ranked as the 24th largest agency in the US in 1985 with offices in New York, Boston and Pittsburgh and support offices in Chicago, Hartford, Providence and Washington DC. Creamer Dickson Basford, their PR company and Creamer Design Group operate as separate companies and profit centres within the group. We welcome the 770 members of HBM Creamer to the WCRS Group and extend a similar warm welcome to their clients.

It is an indication of the spirit and ambition behind the acquisition that we have invited the principal shareholders of HBM Creamer to join the Board of the WCRS Group. This move recognises the significant impact of the US operation on our earnings base and will ensure that we maximise opportunities for people development, skill transfer and in time, international client development. At the same time, two directors of the WCRS Group have been invited to join the Board of HBM Creamer. It is important that our ambitions – which are considerable – are laced with a sense of reality. We will be working with North American management to develop a three-year programme for the Group which will enable it to enjoy the full potential benefits of the deal by enabling it to accelerate the development by success of recent years.

### *Future Developments*

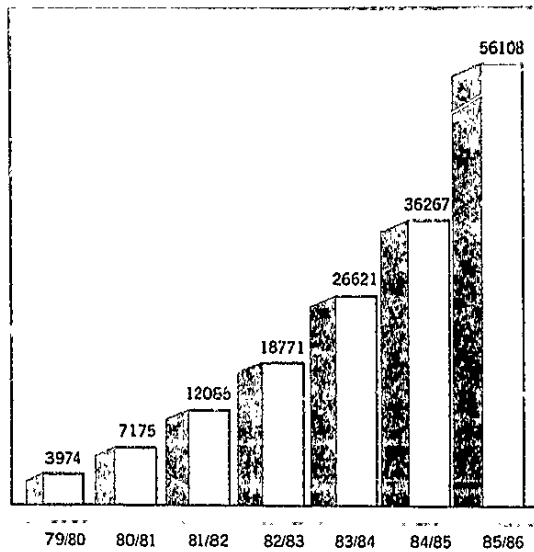
During the last year the Group has developed into a broadly based communications operation and has become a player on the world's stage. It is important that we now focus on the development of our skills to ensure that the enlarged Group achieves the profile and critical mass necessary if we are to take full advantage of the opportunities in the years ahead. Group Management will pursue excellence rather than size and will be focusing constantly on ways of improving our service, our ways of working and our end product to the benefit of clients, staff and shareholders alike.

You can be sure, however, that we intend in the years ahead to become as significant on the world's stage as we have become in the last seven years in the UK.

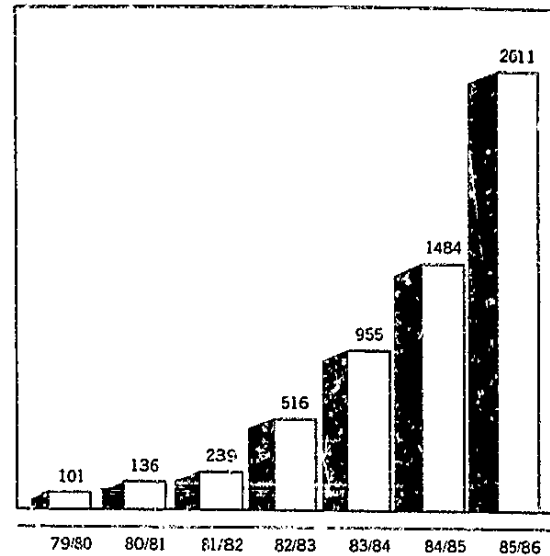
## FINANCIAL REVIEW BY JOHN MCKIMMIE

THE YEAR TO 30 APRIL 1986 WAS THE SEVENTH IN THE COMPANY'S HISTORY. IN EACH OF THESE YEARS WE HAVE ACHIEVED SIGNIFICANT GROWTH AS ILLUSTRATED IN THE FIVE CHARTS BELOW.

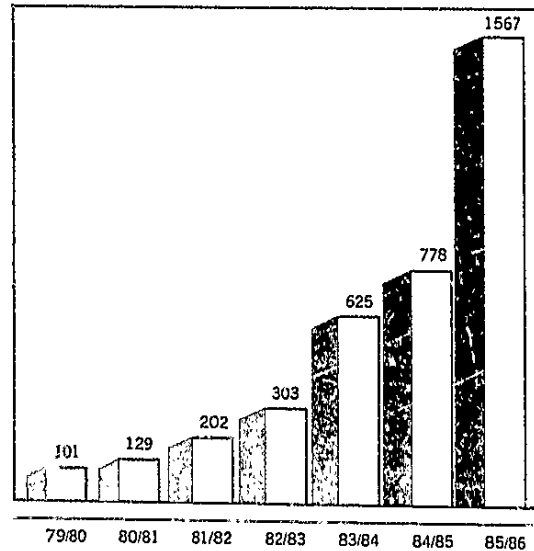
TURNOVER (£'000)



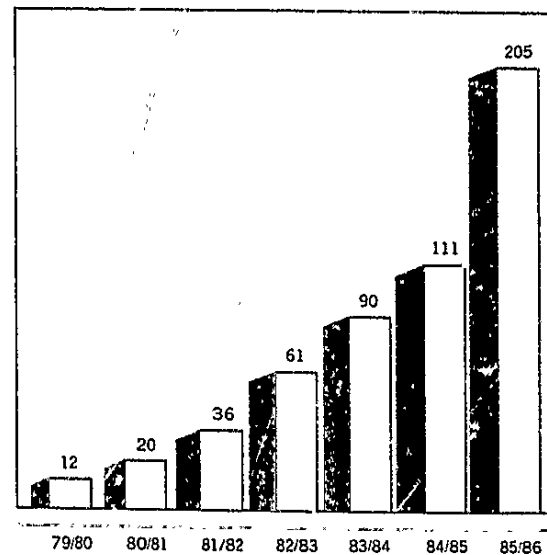
PROFIT BEFORE TAX (£'000)



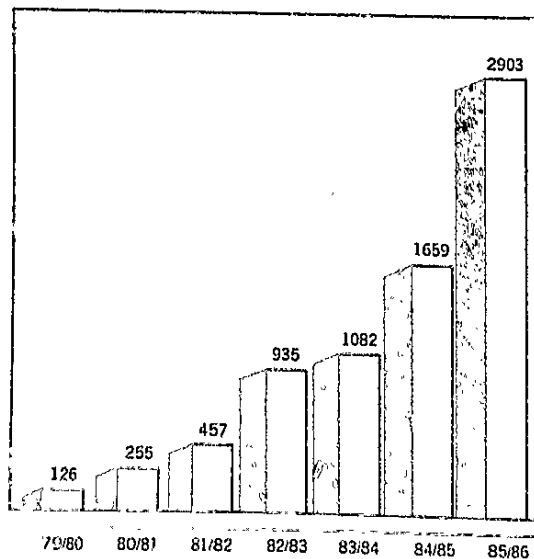
PROFIT AFTER TAX (£'000)



AVERAGE NUMBER OF EMPLOYEES



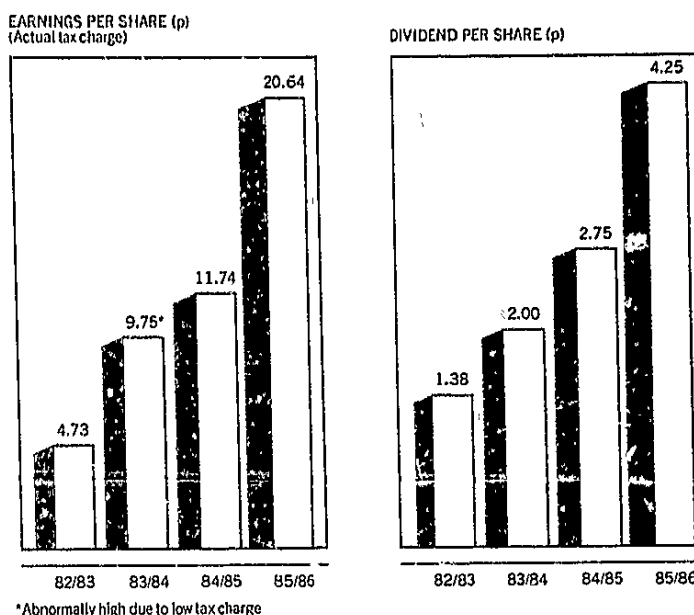
S' HOLDERS FUNDS (£'000)



John McKimmie



SINCE OUR PUBLIC LISTING IN JANUARY 1983 WE HAVE TWO ADDITIONAL CRITERIA AGAINST WHICH OUR FINANCIAL PERFORMANCE CAN BE JUDGED – AGAIN WE ARE HAPPY TO LET THE FIGURES TELL THEIR OWN STORY.



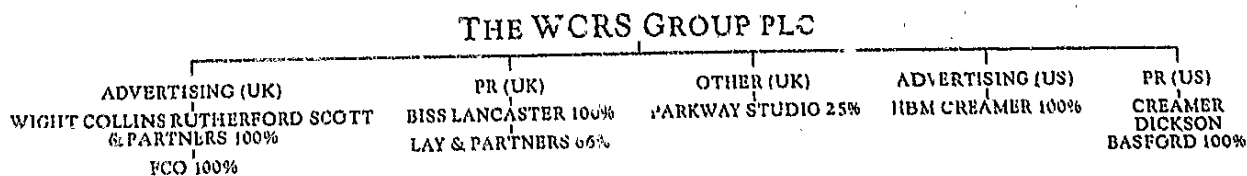
TO PUT EACH OF THE FIGURES ABOVE INTO CONTEXT WE HAVE SUMMARISED THEM AS FOLLOWS:

	AVERAGE ANNUAL COMPOUND GROWTH
TURNOVER (a)	55%
EMPLOYEES (a)	60%
PROFIT BEFORE TAX (a)	72%
PROFIT AFTER TAX (a)	57%
SHAREHOLDERS FUNDS (a)	69%
EARNINGS PER SHARE (b)	64%
DIVIDEND PER SHARE (b)	46%

(a) 7 year period – 79/80 to 85/86

(b) 4 year period – 82/83 to 85/86

IN VIEW OF RECENT DEVELOPMENTS IT SEEMED APPROPRIATE TO CONCLUDE THIS SECTION WITH A LOOK INTO THE FUTURE BY ILLUSTRATING THE NEW GROUP STRUCTURE AS IT WILL BE FOLLOWING THE ACQUISITIONS OF HBM CREAMER AND FCO.



## DIRECTORS & ADVISERS

DIRECTORS OF WIGHT COLLINS RUTHERFORD SCOTT (HOLDINGS) PLC

- 1 Robin Wight
- 2 Ronald Collins
- 3 Andrew D. Rutherford
- 4 Peter J. Scott
- 5 Stephen J. White
- 6 John H. McKimmie, C.A.
- 7 Adele Bis
- 8 R. Timothy S. Breene
- 9 George M. Magan, F.C.A. (non-executive)

### SECRETARY

John H. McKimmie, C.A.

### REGISTERED OFFICE

41/44 Great Queen Street,  
London WC2B 5AR.  
Telephone: 01-242 2800.  
Telex: 25574.

### SOLICITORS

Simon Olswang & Co.,  
1 Great Cumberland Place  
London W1H 7AL.

### BANKERS

The Midland Bank plc,  
16 King Street,  
Covent Garden  
London WC2E 8JF.

### STOCKBROKERS

James Capel & Co.  
6 Bevis Marks,  
London EC3A 7JQ.  
Chase Manhattan Securities,  
1 London Wall Buildings,  
London EC2M 5PT.  
and  
The Stock Exchange

### REGISTRARS

The Royal Bank of Scotland plc,  
P.O. Box 27,  
34 Fettes Row,  
Edinburgh EH3 6UT.

### AUDITORS

Stoy Hayward  
Chartered Accountants,  
8 Baker Street,  
London W1M 1DA.

### MERCHANT BANKERS

Morgan Grenfell & Co., Ltd.,  
23 Great Winchester Street,  
London EC2P 2AX.



## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th April 1986.

## RESULTS AND DIVIDENDS

The profit and loss account is set out on page 14 and shows the group's profit for the year. The directors recommend the payment of a final net dividend of 3p per ordinary share.

## PRINCIPAL ACTIVITY

The Company has continued to trade as an advertising agency based in Central London. Its subsidiaries have continued to trade as public relations consultancies.

REVIEW OF BUSINESS  
AND FUTURE DEVELOPMENTS

The increase in turnover of 55% and profit before tax of 76% reflect the continuing success of the group.

On 4th June 1986 the company acquired the whole of the issued share capital of FCO, a UK advertising agency with billings of £20 million.

On 11th June 1986 the company conditionally agreed to acquire the whole of the issued share capital of HBM Creamer Inc, a leading US advertising agency and public relations consultancy, which represents the company's first significant expansion into the US.

On completion of the proposed acquisition the company will seek shareholder approval to change its name to "The WCRS Group plc" to more accurately reflect the wider spread of the group's activities.

## FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 11 to the accounts.

## DONATIONS

The Company made charitable donations of £4,623 during the year.

## CURRENT COST ACCOUNTS

No current cost accounts have been prepared in view of the considerable uncertainty as to their format and content and since previous experience has proven that the results are not materially different to the historic cost accounts.

## DIRECTORS

The Directors of the Company at the year end, and their interests in the ordinary share capital of the Company, were:

	ORDINARY SHARES OF 10p EACH			
	30th APRIL 1986	30th APRIL 1985		
	BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL
Robin Wight	822,200	154,000	982,200	154,000
Ronald Collins	755,200	154,000	850,200	154,000
Andrew D. Rutherford	762,200	154,000	812,200	154,000
Peter J. Scott	700,750	105,500	862,200	105,500
Stephen J. White	88,643	—	96,972	—
John H. McKimmie	78,626	—	107,780	—
George M. Magan	10,000	—	10,000	—
Adele Biss	195,860	—	195,860	—
R. Timothy S. Breene	9,150	—	—	—

Timothy Breene was appointed a director of the company on 29th January 1986. Between 30th April 1986 and 25th June 1986 no disposals of beneficial shares took place.

Robin Wight, Ronald Collins and George M. Magan retire by rotation and, being eligible, have been proposed for re-election.

Robin Wight and Ronald Collins have service contracts with the company which expire on 30th November 1987.

## SUBSTANTIAL SHAREHOLDINGS

On 25th June 1986 no person (excluding directors) has reported an interest of 5% or more in the ordinary shares of the Company.

DIRECTORS'  
INTERESTS IN CONTRACTS

No director had any material interest in any contract with the Company during the year ended 30th April 1986.

## AUDITORS

Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board  
J. H. McKimmie, C.A.  
Secretary  
25th June 1986

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

ACCOUNTS  
& FINANCE

FOR THE YEAR ENDED 30th APRIL 1986

	1986	NOTES
	£000	
Turnover	56,108	
Direct cost of sales	<u>46,776</u>	<u>46,267</u> 2
Gross income	9,332	<u>59,674</u>
Administration expenses	<u>6,826</u>	<u>6,593</u>
	2,506	<u>4,181</u>
Other operating income	4	<u>1,412</u>
Share of profit from associated company	80	1 3
Interest receivable	<u>67</u>	<u>26</u>
	2,657	<u>67</u>
Bank interest payable	<u>46</u>	<u>1,500</u>
Profit on ordinary activities before taxation	2,611	<u>16</u>
Taxation on profit on ordinary activities	<u>1,044</u>	<u>1,484</u> 2/5
Profit on ordinary activities after taxation	1,567	<u>700</u> 7
Minority interest	1	
Extraordinary charge	—	<u>178</u>
Dividends	<u>322</u>	<u>26</u> 8
	1,244	<u>200</u> 9
Profit for the year retained by:		<u>552</u>
Holding company	826	
Subsidiary companies	368	<u>512</u>
Associated company	<u>50</u>	<u>29</u>
	1,244	<u>11</u>
Earnings per share	<u>20.64p</u>	<u>552</u>
		<u>11.74p</u>

The notes on pages 17 to 22 form part of these accounts.

# CONSOLIDATED BALANCE SHEET

ACCOUNTS  
& FINANCE

At 30th APRIL 1986

		1986	1985	NOTES
		£000	£000	
<b>FIXED ASSETS</b>	<b>Tangible assets</b>			
	Investments	2,211	1,733	11
		94	44	12
		2,305	1,777	
<b>CURRENT ASSETS</b>	<b>Work in progress</b>	20		
	Motor vehicle fleet	311		
	Debtors	11,093	902	
	Cash at bank and in hand	1,967	5,526	13
		13,391	1,883	
<b>CREDITORS</b>	<b>Amounts falling due within one year</b>	12,306	7,976	
<b>NET CURRENT ASSETS</b>		1,085	250	14
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,390	2,029	
<b>CREDITORS</b>	<b>Amounts falling due after more than one year</b>	179		15
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	<b>Deferred taxation</b>	307	370	16
		486	370	
		2,904	1,659	
	<b>Minority Interest</b>	1		
		2,903	1,659	
<b>CAPITAL AND RESERVES</b>	<b>Called up share capital</b>	759	759	17
	Profit and loss account	2,144	900	18
		2,903	1,659	

Peter J. Scott  
John H. McKimmie

Directors  
25th June 1986

The notes on pages 17 to 22 form part of these accounts.



# BALANCE SHEET

AT 30th APRIL 1986

ACCOUNTS  
& FINANCE

		1986		1985		NOTES
		£000	£000	£000	£000	
FIXED ASSETS	Tangible assets		1,884		1,417	11
	Investments		393		350	12
			2,277		1,767	
CURRENT ASSETS	Work in progress	16				
	Motor vehicle fleet	311		562		
	Debtors	10,099		5,027		13
	Cash at bank and in hand	1,881		1,840		
		12,307		7,429		
CREDITORS	Amounts falling due within one year	11,647		7,209		14
NET CURRENT ASSETS			660		220	
TOTAL ASSETS LESS CURRENT LIABILITIES			2,937		1,995	
CREDITORS	Amounts falling due after more than one year	179		-		15
PROVISION FOR LIABILITIES AND CHARGES	Deferred taxation	237		300		16
			416		300	
			2521		1,695	
CAPITAL AND RESERVES	Called up share capital		759		759	17
	Profit and loss account		1,762		936	18
			2,521		1,695	

Peter J. Scott  
John H. McKimmie

Directors  
25th June 1986

The notes on pages 17 to 22 form part of these accounts.

# NOTES FORMING PART OF THE ACCOUNTS

## ACCOUNTS & FINANCE

FOR THE YEAR ENDED 30th APRIL 1986

### NOTE 1 ACCOUNTING POLICIES

#### BASIS OF CONSOLIDATION

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

The consolidated financial statements incorporate the financial statements of Wight Collins Rutherford Scott (Holdings) P.L.C. and its subsidiaries from the date of acquisition made up to 30th April 1986. All significant inter-company balances and transactions are eliminated. The Group's results also include its share of attributable profits of its associated company made up to 30th April 1986. The Group's investment in the associated company is included in the consolidated balance sheet at cost plus the Group's share of retained profits.

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.

#### ASSOCIATED AND RELATED COMPANIES

Companies in which the Group has an interest comprising not less than 20% of the voting capital and over which it exerts significant influence are treated as associated companies. Such companies are also related companies as defined in the Companies Act 1985.

#### TURNOVER

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

#### 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 cost of the assets at the following rates:

Short leasehold premises	Over the period of the lease
Leasehold improvements	10% per annum
Office furniture, fixtures and equipment	10-20% per annum
Motor vehicles	25% per annum

The 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 is charged in the profit and loss account.

#### 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 which may not be recovered.

#### MOTOR VEHICLE FLEET

Certain motor vehicles are replaced within 12 months. These assets are stated at cost less provision for diminution in realisable value, and are treated as current assets. Other motor vehicles are recorded as fixed assets at cost less accumulated depreciation. Depreciation and the provision for diminution in realisable value is charged on a straight line basis over four years.

#### 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.

#### 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'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

### NOTE 2 OPERATING PERFORMANCE BY DIVISION

	1986 £000	1985 £000
Analysis of turnover		
Advertising	52,699	35,819
Public Relations	3,409	448
	56,108	36,267
Analysis of operating profit before taxation		
Advertising	1,917	1,355
Public Relations	614	103
Parkway	80	26
	2,611	1,484

All turnover is generated within the United Kingdom

# NOTES FORMING PART OF THE ACCOUNTS

## ACCOUNTS & FINANCE

### NOTE 3 OTHER OPERATING INCOME

#### Rental Income

1986 £000	1985 £000
4	1

### NOTE 4 EMPLOYEES

#### Staff costs consist of:

Wages and salaries  
Social security costs  
Other pension costs

1986 £000	1985 £000
3,590	1,778
349	130
57	25
3,996	1,933

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

1986 Number	1985 Number
205	111

The number of employees whose remuneration falls in the following ranges was:

	1986	1985
£30,001 to £35,000	7	3
£35,001 to £40,000	—	2
£40,001 to £45,000	1	1
£45,001 to £50,000	2	—
£50,001 to £55,000	—	1
£55,001 to £60,000	—	1
£60,001 to £65,000	—	1
£65,001 to £70,000	—	1
£70,001 to £75,000	1	1
£75,001 to £80,000	1	—
£80,001 to £85,000	1	—

### NOTE 5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

#### This is arrived at after charging:

	1986 £000	1985 £000
Depreciation	319	196
Auditors' remuneration	22	14
Directors' remuneration and after crediting:	517	368
Exceptional income arising on property transactions	325	—

### NOTE 6 DIRECTORS' REMUNERATION

	1986 £000	1985 £000
Emoluments	517	366
Fees	—	2
Pension contributions	—	—
	517	368

Emoluments (excluding pension contributions) of:

	1986	1985
Chairman	73	59
Highest paid director	82	65

The number of other directors whose remuneration (excluding pension contributions) fall in the following ranges was:

	1986 Number	1985 Number
£0 - £5,000	1	1
£ 5,001 - £10,000	—	1
£30,001 - £35,000	1	—
£40,001 - £45,000	1	—
£55,001 - £60,000	—	2
£60,001 - £65,000	—	2
£70,001 - £75,000	4	—
	7	6

### NOTE 7 TAXATION ON PROFITS FROM ORDINARY ACTIVITIES

	1986 £000	1985 £000
U.K. corporation tax at 39.6% (1985 - 44.5%) based on profit for the year	984	600
Underprovision in previous year	—	6
Transfer to deferred taxation	30	85
Associated company	1,014	691
	30	15
	1,044	726

# NOTES FORMING PART OF THE ACCOUNTS

## ACCOUNTS & FINANCE

### NOTE 8 EXTRAORDINARY CHARGE

Costs of admission to a full listing  
on The Stock Exchange

1986	1985
£000	£000
-	26

### NOTE 9 DIVIDENDS

Interim dividend of 1.25p (1985 - 0.75p) per share  
Final proposed dividend of 3p  
(1985 - 2p) per share

1986	1985
£000	£000
95	48
227	152
322	200

### NOTE 10 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of  
£1,567,000 (1985 - £778,000).

The average number of equity shares in issue on which the  
calculation is based is 7,587,818 (1985 - 6,631,256).

### NOTE 11 TANGIBLE ASSETS GROUP

	FREEHOLD LAND AND BUILDINGS	SHORT LEASEHOLD	LEASEHOLD IMPROVE- MENTS	OFFICE FURNITURE, FIXTURES AND EQUIPMENT	MOTOR VEHICLES	TOTAL
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	100	6	56	1654	307	2123
Additions	-	-	46	647	219	912
Disposals	-	(6)	-	(7)	(144)	(157)
At end of year	100	-	102	2294	382	2878
Depreciation						
At beginning of year	-	3	13	327	45	388
Provided for the year	-	3	9	222	85	319
Disposals	-	(6)	-	(1)	(33)	(40)
At end of year	-	-	22	548	97	667
Net book value at 30th April 1986	100	-	80	1746	285	2211
Net book value at 30th April 1985	100	3	43	1327	262	1735

### COMPANY

	FREEHOLD LAND AND BUILDINGS	SHORT LEASEHOLD	LEASEHOLD IMPROVE- MENTS	OFFICE FURNITURE, FIXTURES AND EQUIPMENT	MOTOR VEHICLES	TOTAL
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	100	-	47	1332	263	1742
Additions	-	-	41	601	200	842
Disposals	-	-	-	(6)	(132)	(138)
At end of year	100	-	88	1927	331	2446
Depreciation						
At beginning of year	-	-	11	274	40	325
Provided for the year	-	-	7	186	72	265
Disposals	-	-	-	-	(28)	(28)
At end of year	-	-	18	460	84	562
Net book value at 30th April 1986	100	-	70	1467	247	1884
Net book value at 30th April 1985	100	-	36	1058	223	1417

### CAPITAL COMMITMENTS GROUP AND COMPANY

	1986	1985
	£000	£000
Contracted but not provided	197	110
Authorised but not contracted for	623	-

# NOTES FORMING PART OF THE ACCOUNTS

## ACCOUNTS & FINANCE

NOT

### NOTE 12 INVESTMENTS GROUP

Associated company:

Cost of shares

Share of retained profit

1986  
£000

1985  
£000

15

79

94

15

29

44

### COMPANY

Unlisted investments:

Cost of shares in subsidiary companies

Cost of shares in associated company

378

15

393

343

15

358

### INVESTMENT IN SUBSIDIARIES

1986  
£000

1985  
£000

343

Balance at 1st May 1985

Addition on merger with  
Biss Lancaster plc

-

343

Addition on incorporation of  
Lay & Partners Limited

35

Balance at 30th April 1986

378

343

### SUBSIDIARY COMPANIES

Wight Collins Rutherford

Scott Limited

Biss Lancaster plc

England

England

Ordinary

Ordinary

100%

100%

Dormant  
Public  
Relations  
Consultants  
Public  
Relations  
Consultants

Lay & Partners Limited

England

Ordinary

66.67%

Production  
Studio

### ASSOCIATED COMPANY

Parkway Studio  
Limited

England

Ordinary

25%

Production  
Studio

### NOTE 13 DEBTORS

#### GROUP

#### COMPANY

1986  
£000

1985  
£000

1986  
£000

1985  
£000

Trade debtors

10,025

5,200

9,068

4,782

Prepayments and  
accrued income

639

180

595

129

Other debtors

429

146

428

116

Amounts due from  
group company

-

-

8

-

11,093

5,526

10,099

5,027

Included within other debtors of the group and of the company is an amount of £24,000 advanced to Peter Scott against expenses to be recovered.

At the beginning of the year the amount outstanding was £Nil and the highest amount outstanding at any time during the year was £24,000.

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

# NOTES FORMING PART OF THE ACCOUNTS

## ACCOUNTS & FINANCE

### NOTE 14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	1986 £000	1985 £000	1986 £000	1985 £000
Trade creditors	8,615	4,976	8,300	4,921
Other creditors	559	445	547	222
Work in progress	-	402	-	429
Creditors for taxation and social security	1,131	596	980	418
Corporation tax	1,270	850	1,022	845
Dividends payable	227	152	227	152
Accruals	504	305	72	222
Amounts due to group companies	-	-	499	-
	12,306	7,726	11,647	7,209

### NOTE 15 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	1986 £000	1985 £000	1986 £000	1985 £000
Obligations under finance leases and hire purchase contracts	179	-	179	-
Obligations under finance leases and hire purchase contracts:				
	1986 £000	1985 £000	1986 £000	1985 £000
Within 1 to 2 years	81	-	81	-
Within 2 to 5 years	98	-	98	-
	179	-	179	-

### NOTE 16 PROVISION FOR LIABILITIES AND CHARGES - DEFERRED TAXATION GROUP

	1986		1985	
	AMOUNT UNPROVIDED £000	PROVIDED IN ACCOUNTS £000	AMOUNT UNPROVIDED £000	PROVIDED IN ACCOUNTS £000
Accelerated capital allowances	-	465	-	435
Advance corporation tax	-	(158)	-	(65)
	-	307	-	370
COMPANY				
	1986 AMOUNT UNPROVIDED £000	1985 PROVIDED IN ACCOUNTS £000	1986 AMOUNT UNPROVIDED £000	1985 PROVIDED IN ACCOUNTS £000
Accelerated capital allowances	-	395	-	365
Advance corporation tax	-	(158)	-	(65)
	-	237	-	300

### NOTE 17 CALLED UP SHARE CAPITAL

#### Ordinary shares of 10p each

	1986 £000	1985 £000
Authorised	1,200,000	1,200,000
Allotted, called up and fully paid:		
Issued share capital brought forward	758,782	320,300
Bonus issue of shares	-	320,300
Allotted on merger with Biss Lancaster plc	-	118,182
Issued share capital carried forward	758,782	758,782

# NOTES FORMING PART OF THE ACCOUNTS

ACCOUNTS  
& FINANCE

## NOTE 18 PROFIT AND LOSS ACCOUNT

	GROUP		COMPANY	
	1986 £000	1985 £000	1986 £000	1985 £000
Balance at 1st May 1985	900	579	936	562
Retained profit for the year	1,244	552	826	512
Amount capitalised on bonus issue of shares	-	(118)	-	(138)
Consolidation adjustment on merger	-	(93)	-	-
Balance at 30th April 1986	2,144	900	1,762	936

## NOTE 19 CONTINGENT LIABILITY

The Company has jointly with other parties guaranteed obligations under lease arrangements taken out by its associated company. At 30th April 1986 the total potential liability amounted to £261,392 (1985 £197,133).

Since the year end the following events have taken place:

## NOTE 20 POST BALANCE SHEET EVENTS

- (i) On 4 June 1986 the company signed an agreement to acquire the whole of the issued share capital of FCO Limited, a consumer advertising agency based in London.

The consideration for the acquisition of FCO Limited is as follows:

- (a) the sum of £1.5 million payable in cash on completion;
- (b) the sum of £1.5 million to be satisfied on completion by the issue of 372,208 ordinary shares in WCRS; and
- (c) additional consideration payable in instalments, of 5 times the amounts by which the pre-tax profits of FCO Limited for the years to 30 April 1987, 1988 and 1989 exceed £300,000, £500,000 and £700,000 respectively.

The maximum consideration payable is £6,750,000 plus 2.5% of the amount by which the pre-tax profits for the year to 30 April 1989 exceed £800,000.

- (ii) On 11 June 1986 the company conditionally agreed to acquire HBM Creamer Inc, a leading US advertising agency and Public Relations consultancy.

The maximum purchase consideration to be paid by Wight Collins Rutherford Scott (Holdings) P.L.C. is \$50 million, of which \$42.2 million is payable on completion and the balance of \$7.8 million will be deferred. Prior to completion HBM Creamer Inc will redeem some of its shares for the net sum of \$11.5 million, of which the payment of \$2.2 million will be deferred. The total deferred payment of \$10 million will be dependent on the profits before tax achieved by HBM Creamer Inc in the year ending 31 December 1986.

Both acquisitions are subject to the approval of certain resolutions at the Extraordinary General Meeting of the Company to be held at 41/44 Great Queen Street on Friday 4 July 1986.

- (iii) Within seven days of the announcement of the results of Wight Collins Rutherford Scott (Holdings) P.L.C. 99,088 consideration shares will be issued as part of the consideration payable in connection with the acquisition of Biss Lancaster p.l.c.

## NOTE 21 SHARE PREMIUM ACCOUNT GROUP AND COMPANY

	1986 £	1985 £
Balance at 1st May 1985	-	182
Capitalised on bonus issue of shares	-	(182)
Balance at 30th April 1986	-	-

# CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF FUNDS

## SOURCE OF FUNDS

	1986	1985
	£000	£000
Profit before tax and extraordinary item	2,611	1,484
Extraordinary item	-	(26)
	2,611	1,458

## ADJUSTMENT FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS

Depreciation	319	197
Profit on sale of fixed assets	(70)	(28)
Profit retained in associated company	(80)	(26)
	169	143
	2,780	1,601

## FUNDS FROM OTHER SOURCES

Sale of investments	-	67
Sale of fixed assets	187	128
Shares issued on merger	-	118
	187	313
	2,967	1,914

## APPLICATION OF FUNDS

Consolidation adjustment on merger	-	93
Purchase of fixed assets	912	697
Fixed assets taken over on merger	-	149
Taxation paid	657	244
Dividend paid	247	136
	1,816	1,319
	1,151	595

## (INCREASE)/DECREASE IN WORKING CAPITAL

Motor vehicle fleet	251	(131)
Work in progress	(422)	180
Debtors and prepayments	(5,567)	(1,463)
Creditors and accruals	4,666	1,129
	(1,072)	(285)

## INCREASE IN BANK AND CASH BALANCES

	79	310
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The notes on pages 17 to 22 form part of these accounts.



# REPORT OF THE AUDITORS

## ACCOUNTS & FINANCE

To the members of WIGHT COLLINS RUTHERFORD SCOTT (HOLDINGS)  
P.L.C.

We have audited the financial statements on pages 14 to 23 in  
accordance with approved Auditing Standards.

In our opinion, the financial statements which have been prepared  
under the historical cost convention give, under that convention, a  
true and fair view of the state of affairs of the Company and the Group  
at 30th April 1986 and of the profit and source and application of  
funds of the Group for the year then ended and comply with the Com-  
panies Act 1985.

Stoy Hayward,  
Chartered Accountants,  
8 Baker Street,  
London W1M 1DA.

25th June 1986

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## FINANCIAL HISTORY

YEAR ENDED 30th APRIL	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	1985 £'000	1986 £'000
Turnover	3,974	7,175	12,085	18,771	26,621	36,367	56,108
Profit before Tax	101	136	239	516	955	1,484	2,611
Tax Charge	—	7	37	213	330	706	1,044
Profit after Tax	101	129	202	303	625	778	1,567
Extraordinary Charge	—	—	—	—	350	26	—
Profit Available to Shareholders	101	129	202	303	275	552	1,244

## FINANCIAL CALENDAR

June	Preliminary announcement of full year results
July	Publication of Annual Report
August	Annual General Meeting
October	Payment of final dividend
December	Announcement of interim results
February	Payment of interim dividend

## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 12.00 noon on 26th August 1986 at 41/44 Great Queen Street, London WC2B 5AR for the following purposes:-

1. To receive and adopt the Directors' Report and Accounts of the Company for the year ended 30th April 1986 and the Auditors' report thereon;
2. To declare a final dividend;
3. To re-elect as Directors Mr G.M. Magan, Mr R. Wight and Mr R. Collins who retire by rotation and, being eligible, offer themselves for re-election;
4. To re-appoint Stoy Hayward as Auditors for the Company and to authorise the Directors to fix their remuneration.

As special business of the Meeting, to consider and, if thought fit, to pass the following resolution, which will be proposed as an Ordinary Resolution:

That, subject to the approval of the Inland Revenue, the total number of shares which may be issued under the Company's Executive Share Option Scheme pursuant to Rule 3.1 be increased to 1,432,702 being 10% of the company's existing issued share capital, from the existing number of 1,422,794 as approved at the Extraordinary General Meeting held on 4th July 1986.

By Order of the Board  
John H. McKimmie  
Secretary  
41/44 Great Queen Street,  
London WC2B 5AR.

Dated the 21st day of July 1986.

### NOTES

1. 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 (P.O. Box 27, 34 Fettes Row, Edinburgh EH3 6UT) 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.
2. 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.

## FINANCIAL HISTORY

YEARENDED 30th APRIL	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	1985 £'000	1986 £'000
Turnover	3,974	7,175	12,085	18,771	26,621	36,267	56,108
Profit before Tax	101	136	239	516	955	1,484	2,611
Tax Charge	—	7	37	213	330	706	1,044
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  - (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.