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"At 6.30pm on a Wednesday evening the downstairs bar at Wight Collins Rutherford Scott is deserted, apart from a couple of secretaries chatting to the barmaid. The stories of a 12-hour day at WCRS are evidently true.

In New York, account executives are returning from Perrier-laden lunches to their offices at Della Femina, Travisano. In Sydney, the staff of The Ball Partnership are waking up for a day's work.

This may all give the impression that WCRS is a global advertising agency intent on stamping its brand name on marketing and advertising activities across the world. It is not. Although its operating companies span seven geographical areas and offer a variety of marketing and advertising services, each does so autonomously.

The agency's overriding principle is

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that each individual company should aim to be the best in its local market.

"There is no beauty in size – it doesn't add value", says Chief Executive Peter Scott. WCRS is anxious to avoid any resemblance to the American multinationals of the 1960s. . .

. . . In 1979 it was the first of the "breakaway" agencies, and should be in Campaign's UK top 10 league, by billings, within the next 18 months.

Advertising agencies tend to be long on ideas and short on management. WCRS is long on both."

Two years ago we were a British advertising agency. Not the biggest, but certainly one of the best. I am tempted to say we were "only" an agency, because though it was a fine achievement to have risen as far and as fast as we did in the first six years of our corporate life, it was nothing compared to what has happened since.

Those simple days are now a long way off.

1986 was the Year of the Tiger in the Chinese calendar. If I can be forgiven for mixing my cultures, there have been times when for WCRS the past year could have been dubbed the "year of the whirling dervish". Quite simply, our business has been transformed.

During the past year the Group has made enormous strides geographically and financially towards its goal of becoming a leading worldwide marketing and

communications business. Profits before tax have risen from £2.6 million to £10.1 million, and of worldwide profit some 65 per cent is now generated in the United States.

Five star years

Our five-year record represents a major and unrivalled achievement for our industry. Compound annual growth in earnings per share has been 68 per cent, turnover has risen by 95 per cent, and profits have risen by 111 per cent.

Advertising people say constantly that everything is new, is different, is bigger, or is better. Such epithets are the tools of the trade. And they make similar claims for their businesses, often when in reality nothing much has happened. But in our case the claims are justified to the last comma and full stop.

Where once we were an agency, some-

times pure but never simple, now we are a subtle and complex Group. Twelve months ago our business was almost wholly within these shores. Now we are spread across the world, in major markets across America going West, and to Australia going East. Where 12 months ago we were challenging for the honours in Britain's advertising league, we now qualify as a serious player in the world series.

Then we were in the advertising business, with a lacing of PR. Now, while advertising still dominates, we are in six quite distinct branches of communications and marketing services. We have not turned our back on advertising; but equally if greater opportunities and faster growth lie not in its mainstream, but in related activities, then that is where we must be.

of corporate high drama - during a share flotation or a takeover bid.

This is the new world we seek to conquer. The hectic activity of the past year has served to put in place the planks we need, and established us in the markets that we believe will be important.

Not one-dimensional

Because we regard ourselves as a communications and marketing services Group, not just as an advertising business, our goal is to have half our profits from non-advertising businesses by 1990.

We will be guided in our growth by what the sector expects and by the nature of the competition, but we will continue to have client service as our overriding aim. In advertising this means that, to satisfy major clients, we will need to be in 12 to 15 key markets around the world; we will seek to estab-

THE CHAIRMAN'S STATEMENT

Going where growth is

We went off on this epic journey because it had become apparent that our clients were not going to allow us to live by advertising alone (nor would our serious competitors in the industry). They were looking for new and better targeted ways to stimulate sales and create added value for their products and brands. As a result, in both Britain and the US, other forms of marketing spending have been going up much faster than media spending. For example, design and PR expenditure has been growing at about twice the rate of advertising in recent years.

Furthermore, some clients were beginning to want an integrated communications service. In certain specialist sectors, such as healthcare communications, the trend is well advanced, and it is also increasingly the pattern at times

lish such a presence as quickly as possible. In other activities it may make more sense to concentrate on fewer but larger markets.

The plans will vary. The fundamental beliefs underpinning them will not.

We believe that specialisation produces the best results for clients. This is one of the reasons why we have spun off our PR and design businesses in the US. As separate entities they can have their own management cultures and reward systems, and will flourish much more than they would as the "poor cousins" of a large advertising business.

We believe our success depends on our ability to attract and motivate the best people. We see ourselves as an "enterprise of entrepreneurs", which means that, notwithstanding tight financial controls, the operating companies and the

TURNOVER

£56.1m £358.6m 539%

1986

1987

INCREASE

PROFIT BEFORE TAX

£2.6m £10.1m 287%

1986

1987

INCREASE

HIGHLIGHTS

EARNINGS PER SHARE actual tax charge

18.03p 36.17p 101%

1986

1987

INCREASE

DIVIDEND PER SHARE

4.25p 6.25p 47%

1986

1987

INCREASE

centres are partners within the Group rather than servants of the master. But we want, indeed expect, to be the best. Thus we reward and promote outstanding performance. And make changes if our performance is lacking. We also avoid the filtering layers of staff that so often seem to discourage or screen out entrepreneurial ideas and creativity.

We believe that every business in the Group must always be trying to improve. Whatever the sector, whatever the continent, our businesses all strive to be the best where it matters most, the "best in local market."

Building by adding value

Finally, as a Group we are committed to identifying added value before we make an acquisition – defining exactly what extra benefits the Group can bring to the new company, expressing our determi-

changes with the necessary systems modifications to promote better control, while encouraging risk-taking and initiative. The benefits of these changes are evident in the continuing organic growth and enhanced reputations of our businesses.

The winning streak

Not only is our strategy a winning strategy, but we have a unique blend of management talent and other values within the Group that will keep us ahead of the competition. These values – of creative excellence balanced by pillars of business management, entrepreneurship, commitment to innovation, and a willingness to act boldly and rapidly – are demonstrated in the review of operations contained in the body of this document.

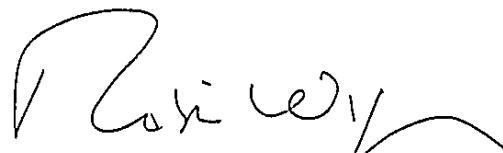
Boldness and leadership have transformed your company since I last reported to you. But do not think that the Group

04 CHAIRMAN'S STATEMENT

nation to make it a conspicuously better business. That is why, unlike other highly acquisitive groups, you will also see changes within the businesses we acquire. This is not a simple matter of cross-referral, valuable though this is, but a commitment by us and our partners to develop and improve the skills brought to bear on our clients' businesses.

For example, the merger of Della Femina, Travisano and HBM/Creamer in New York has been much publicised but additionally we have made several smaller acquisitions to strengthen our existing businesses. We have spun off Creamer Dickson Basford and Heller Breene. We have started several new ventures; we have attracted considerable new talent to the leadership of our various operations; and have underpinned such

stops here. The pace in the current year promises to be every bit as hectic.





Peter Scott, Charles Sterns, Rubin Wright, Tim Beyone

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The WCRS Group is a young company growing up fast. Our world is the world of communications and marketing services – it is dynamic, it is expanding, and it is tremendous fun for those who want to win.

Change is what makes a business interesting, unpredictable and exciting, as well as, we believe, providing the mechanism by which those with the greatest talent and willingness to work get to the top. Change means some faces have gone, new faces have arrived. Whole areas of business have been acquired, and new territories added to the Group as we position ourselves to anticipate the future.

Today the Group operates in six sectors of the communications and marketing services business – advertising, public relations, design, sponsorship,

sitions since the end of the financial year, the major one being in June when we acquired The Ball Partnership, a group of advertising and related businesses operating in the Pacific Basin. Our interests in Australia were then enlarged by the acquisition of Garland Stewart & Roache, an energetic and highly creative agency, and Lunn Dyer, a Sydney-based design group. The American business also broadened with the purchase of Robert A Becker, a specialist in medical advertising.

Skillful restructuring

The past year has seen a transformation in our management structure and the areas in which your company operates so that it can develop as a world force in advertising and related industries. This reorganisation has been carried out at a time of rapid organic growth in both

I am also delighted to welcome Simon Olswang, the senior partner of our legal advisers, who has joined George Magan of Morgan Grenfell as a non-executive director.

The future is clear

Phase One of our building programme is now complete, with our first acquisitions in the United States successfully integrated, and the management succession in the sounding United Kingdom agency in place.

In spite of the considerable growth that has taken place this year, it is clear that to gain proper recognition as a world force we must achieve somewhat greater scale and coverage of the crucial geographical markets. To reap the major benefits of international cross-referral, we need to become a force in the European market. A move into Europe with

06 CHIEF EXECUTIVE'S REVIEW

direct marketing, and strategy consulting.

Non-stop growth

During the year we integrated three major advertising agencies into the Group: FCO, in the United Kingdom, and HBM/Creamer and Della Femina, Travisano & Partners in the United States. We bought two design businesses, Saunders Design and Siebert/Head, in the United Kingdom. Still in the UK, the purchase of Alan Pascoe Associates took us into sponsorship, and the acquisition of 20 per cent of Crossbow Films gave us a foothold in the production of TV programmes. The year also witnessed our entry into the world of management consulting by way of a 49 per cent stake in strategy consultants Goodall Alexander O'Hare.

We have made several notable acqui-

turnover and profits, and must count as the major achievement of the management team over the period.

During the year I moved across from my position as Managing Partner of the advertising agency to become full-time Chief Executive of the Group. Tim Breene, the Deputy Group Chief Executive assumed additional responsibilities as Chief Executive North America. Charles Stern joined as Group Financial Director, and John Braddell was brought in to oversee our design and UK direct marketing interests.

John McKinnie moved to concentrate on the development of the full potential of Parkway Studio Limited – an associate company and one of our outstandingly successful interests. I am confident that this move will bring maximum value to our shareholders.

one or more large agencies is therefore now the major strategic priority within advertising. In parallel, we will continue to build our presence aggressively in a number of service businesses and to invest selectively to strengthen our existing operating companies.

We are now a business with 1,500 employees straddling the world. This year's results and the glittering performance of WCRS since its foundation in 1979 are a tribute to each and every one of them.

ADVERTISING

Product advertising
Corporate advertising
New product launches
Financial advertising
Medical advertising
Bid defence advertising
Media consulting
International media planning and buying
Communications consulting

PUBLIC RELATIONS

Media relations
Investor relations
Public affairs
Presentations and conferences
Crisis management
Employee communications
Sponsorship
Presentation and media training
Video and conference production
Mergers and acquisitions

DESIGN

Package design
Retail interior design
Office interior design
Architecture
Exhibition design
Product/corporate brochure design
Financial reporting
Corporate identity

GROUP ACTIVITIES**SPONSORSHIP**

Sponsorship consulting
Event creation
Event management
Media support
Promotional support
Personality management
Client and trade hospitality

DIRECT MARKETING

Project development, evaluation and testing
Direct response advertising
Database development, management and marketing
Lead generation and dealer support programmes
Customer loyalty programmes
Mailing programmes
Catalogue marketing
Telephone marketing

STRATEGY CONSULTING

Corporate strategy for acquisitions and divestments
Business strategy for development of competitive advantage
New market penetration
Strategic management education
Business plan preparation
New product development
Implementation of complex corporate change
Bid defence
Design of management control systems
Capital investment appraisal

Whilst the globalisation of many business sectors is accelerating (and ours is no exception), we see little evidence that this will lead to the full-scale globalisation of the advertising message. Consequently, there is little purpose in recreating the conventional branch office network proliferated by the American multinational agencies in the 1960s. We have instead opted for internationalisation based on a federal structure — with each of our agencies pursuing a "best in local market" positioning and at the same time offering the benefits of network co-ordination for those international clients who seek it.

WCRS MATHEWS MARCANTONIO

Two years ago the agency adopted as its five-year goal the ambition to become a top 10 UK agency. It is well on the way to meeting this objective. According to

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Campaign, the advertising industry magazine, it is now ranked number 14 in terms of UK billings, following an increase in new business last year of £25 million. Perhaps more important it continues to be rated highly in independent research for its reputation. In the most recent study available the agency was nominated by prospective clients as the one they were most likely to consider in the event of an account review.

New team at the top

In an eventful year perhaps the most important single development was the appointment of Roger Mathews as Managing Director WCRS Mathews Marcantonio together with the creation of a new management structure within the agency as part of the wider Group reorganisation. His appointment last November was well received and under his direction the

agency is continuing to attract new clients, among the most recent being the £6 million a year McVitie's account for United Biscuits, and the £5 million account for Laura Ashley.

We also scored highly with existing clients. The launch of the new BMW 7 series was a great success and the car quickly built up a nine-month waiting list. The campaign brought the agency gold awards for both press and television



advertising. A rare achievement.

The agency also gained recognition for its campaign for Carling Black Label, the UK's best selling lager. It is an indication of its continued creative excellence that, in what is a very crowded market, the Carling television advertising has been

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recognised as the most recalled and best regarded lager campaign in the United Kingdom.

The Media Department continues to flourish as clients use our central buying services to place their media spend. Our buying power in this area is now so considerable that we are in a position to negotiate first-class prices for our clients, and would rank as one of the top six firms in the sector if we were independent.

The federation idea at work

An early encouraging sign of the benefits to come from the cross-referral of business between Britain and the Group's agencies in other parts of the world came when WCRS Mathews Marcantonio was appointed to handle Sheraton throughout Europe. In a parallel development, The Ball Partnership in Australia was also appointed by Sheraton and addition-

ally BMW, a long-standing London client.

The agency continued to win awards and attract widespread recognition for its creative excellence. Once again we did exceptionally well in both the Campaign Press Awards, and in the British Television Advertising Awards, winning "golds" and "silvers". Such recognition brings a definite business benefit, in addition to the satisfaction and pride it naturally gives to those responsible. It helps us attract major new clients and be an attractive employer to many of the most talented people in British advertising. And that of course in turn helps us attract more business.

Since the year end we have been very fortunate in securing the outstanding talent of Alfredo Marcantonio who joined us as Executive Creative Director and

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Joint Deputy Chairman of the now renamed agency — WCRS Mathews Marcantonio. Alfredo spent four years at Collett Dickenson Pearce, and six at Lowe Howard-Spink where he built one of the most successful and admired creative departments in London.

FCO

Activity at FCO has been no less exciting. FCO joined the Group in the summer of 1986, and our intention was to develop it as a second major creative force in the UK which would enable the Group as a whole to resolve client conflicts.



A jewel in our crown

During the year FCO confirmed its outstanding reputation by winning a hostful



of creative awards, of which the most sought-after was a Golden Lion won in 1986 at Cannes for the COI Teenage Anti-Smoking campaign. Under the direction of Richard French and Richard Hall, it increased its business base by 37 per cent and more than doubled its profits.

Significant new assignments have been won from the COI Department of Employment, August Storck, Fabergé, IDV, P&O Cruises, Ferruzzi, Goldensry Foods and Food and Wines from France, and additional work commissioned by existing clients such as Panasonic Office Automation and Guinness.

U S expansion

The American advertising market dwarfs all others. No group with international ambitions can afford to ignore it. Accordingly, in 1985 we resolved to move significantly into the United States.

H O A D V

Our first acquisition was HBM/Creamer which operated out of Boston, Pittsburgh, New York, Providence, Chicago and Hartford. The second was Della Femina, Travisano & Partners (DFT) which operates out of New York, Los Angeles and Atlanta. Subsequently, the New York office of HBM/Creamer was merged successfully with DFT's.

HBM/CREAMER

HBM/Creamer is substantially different in style and tradition from DFT. But this is a considerable advantage as we can offer clients a variety of skills that reflect the subtle differences in local markets across the United States.

Billings for HBM/Creamer increased substantially, so that the group is now ranked number 30 in the American league table, employing more than 450 people.

The mid-size opportunity

HBM/Creamer is well positioned to grow for three reasons. Firstly its two main markets have strong local economies: Boston, thanks to its heavy involvement in the technology and financial services industries, and Pittsburgh as it moves away from steel towards electronics and foods. Secondly, regional agencies are increasingly being chosen for national business.

And lastly, more and more major advertisers are turning to mid-sized agencies, away from the giants.

To take advantage of the opportunities that these trends present, the agency has been extensively reorganised under Ed Eskandarian's direction as Chairman and Chief Executive Officer.

Creative energy

In Boston, the management of the agency

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has been restructured, with the appointment of Mary Moore as President, who was also named Ad Woman of the Year by Adweek magazine.

This new leadership has successfully infused the agency with a new spirit and determination, and has unleashed its creative energies. HBM/Creamer recently won more awards in the 1987 Adweek/New England Broadcasting awards than any other agency.

Clients in Boston include such blue-chip names as American Brands, Allied Signal, Parker Brothers, The Stanley



Works, Bank of Boston and Digital Equipment Corporation. Gaining Digital Equipment was significant as it established the agency in the technology field,

while the continued relationship with Bank of Boston enhances its presence in financial services. Other major new accounts were Beecham Cosmetics and Foot-Joy.

As a result, HBM/Creamer has now consolidated its position as the second-largest agency in Boston.

HBM/Creamer in Pittsburgh, under the dedicated direction of Bill Sprague, has continued to strengthen its position and its solid blue-chip portfolio of clients. HBM/Creamer has overtaken Ketchum as the number 1 agency in the Pittsburgh market, reflecting the agency's repu-



tation for success in the advertising of packaged goods. It is the largest Nestlé agency in the US working for Stouffer's,

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for the frozen foods division and on Nestlé's coffee brands. Particularly encouraging is the ability of the agency to attract key clients from outside its home state, to the extent that these account for roughly a third of total billings.

The rewards of success

During the year John Waldron was appointed President of the Pittsburgh operation, with Dick Weber as Chief Operating Officer and Howard Gittens as Executive Vice President. Significant new business assignments from existing clients - some of whom, like Stouffer's, have been with the agency for many years

- coupled with new client gains like G D Searle and Nestlé's Ice Cream Bars have brought a healthy increase in turnover.

HBM/Creamer also has a small agency employing about 35 people in Chicago,



Advertising

another in Hartford, and one in Providence, Rhode Island, where the original Creamer agency was founded.

DELLA FEMINA, TRAVISANO & PARTNERS

Although our entry into the American market was spearheaded by the acquisition of HBM/Creamer, we signalled at that time our intention to strengthen our US position and in particular to improve our standing in the New York market place.

Two months later we announced the acquisition of the highly creative Della Femina, Travisano & Partners advertising agency based in New York.

DFT now ranks as one of the most attractive agencies in the country following its absorption of the HBM/Creamer business in New York, a notable achievement handled with determination and

business development and publicity.

The agency has long been renowned as one of the most creative. Its best-known campaigns, the "Liar" campaign for Isuzu, and the "Meow Mix" campaign for Ralston Purina both won Andy awards. The Liar campaign was also voted one of the 10 most outstanding campaigns of the year in a national survey of American consumers, and since the year-end has won a Golden Lion award at Cannes.

DFT's Los Angeles office fared extremely well in the Belding awards, as well as winning first place in the "Best of the West" competition. And of the 50



finalists in the 30-second television commercial category at The One Show, eight were from DFT, one of the highest totals

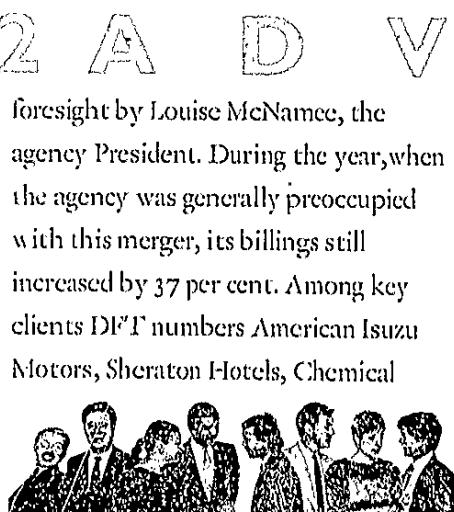


from a single agency in the history of the show. DFT is now one of the top agencies in Los Angeles.

Double strengths

But the strength of DFT is that outstanding creativity is backed by strong management. In the last few months, billings have improved markedly. In Los Angeles the agency won the Sheraton account for the West Coast and in New York it produced its first commercials for Schering-Plough's "Zinka", and was commissioned by Bausch & Lomb's personal products division for the introduction of a new health and beauty product.

DFT has also recently won the substantial Sunshine Biscuits account. And as a result of cross-referrals with WCRS Mathews Marcantonio in London, it has added Hasselblad and Laura Ashley to its client list.



Bank, Dow Chemical, Raytheon, Beck's Beer, Hayes Microcomputer Products and Rolls-Royce Motors.

DFT is led by a team of three: Jerry Della Femina, the Chairman, Louise McNamee, and Peter Stranger, President of DFT on the West Coast. This structure leaves Jerry Della Femina, who has a deserved reputation as one of the best creative advertising people in the US, to concentrate on copy writing, new busi-

All in all, 1986/7 has been a year of consistent success for Della Femina, Travisano & Partners.

The future

I am particularly encouraged by the very high rating that Adweek gave our advertising interests in North America. Overall our US companies are stronger in size, reputation and management than ever before, and I rate this achievement as important as the initial acquisitions.

The growth of DFT and of the HBM/Creamer offices in Boston and Pittsburgh underpins our confidence for the coming financial year.

THE BALL PARTNERSHIP

In February The WCRS Group announced that it had reached agreement with Michael Ball and with The Ogilvy Group to acquire The Ball Partnership. This network of advertising and direct



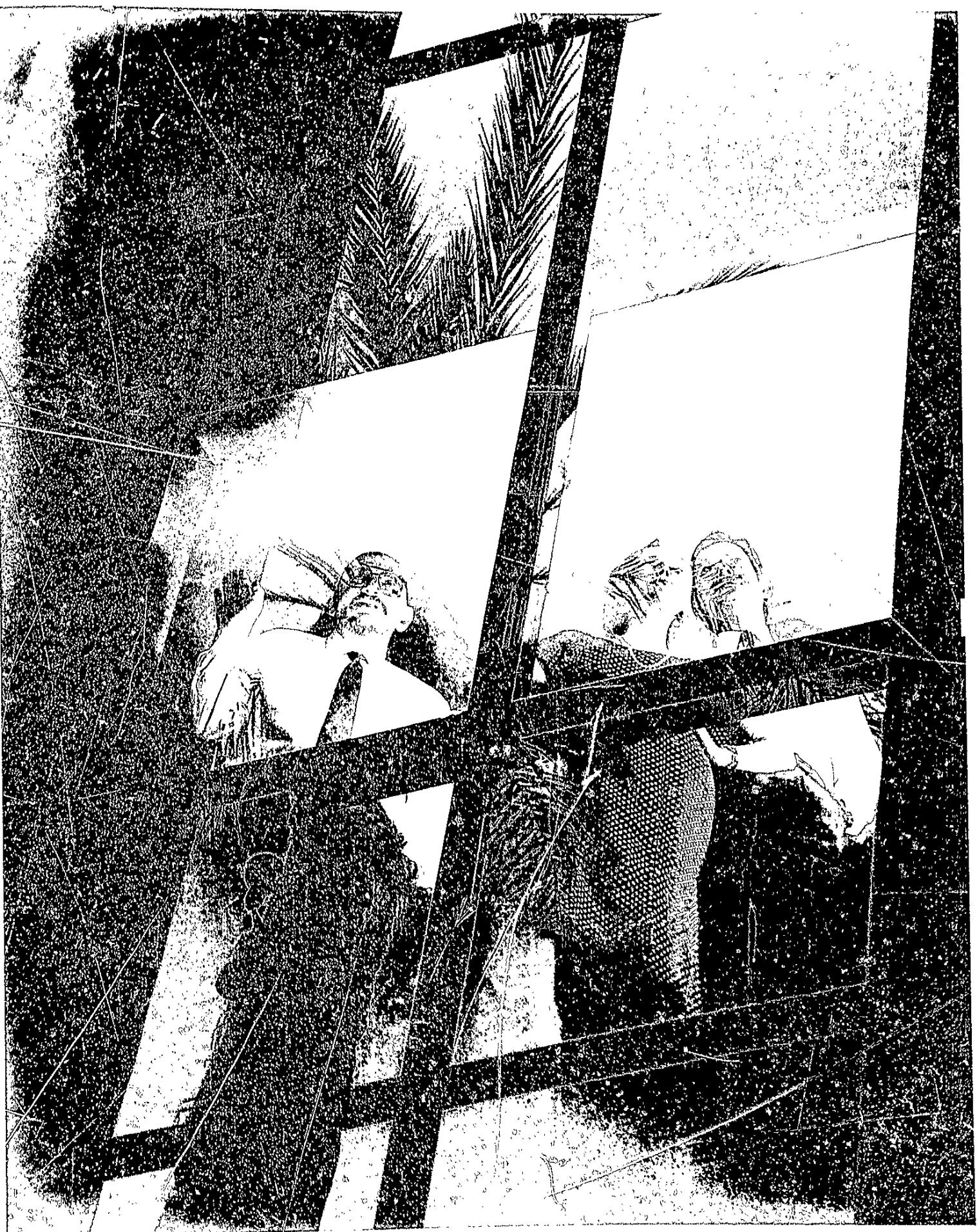
marketing companies operates in Australia, Singapore, Malaysia, Thailand and Hong Kong.

A world growth area

The need for a move into the Pacific Basin had become more pressing once we had established our base – through Della Femina, Travisano – in Los Angeles. America's West Coast looks across the Pacific as much as it does towards Europe, following the rapid industrialisation and dramatic economic growth of the Pacific Basin countries. A move into this region was an essential step in the creation of an international group.



At the time of our move into South East Asia, The Ball Partnership was rated as one of the major networks in the



region. But it was also a network in transition, having been radically restructured by Michael Ball since he bought 60 per cent of the network from its erstwhile parent, The Ogilvy Group. At the time



of our acquisition it was ranked 25 in Australia.

Historically, the Partnership has not made large profits because all its growth has been financed internally. Last year, the decision to reposition the company and upgrade the calibre of key staff led to reorganisation costs and an operating loss. But the rewards for this investment are now flowing through. The restructuring is providing a significant increase in turnover, and we expect the Partnership to make a profit in its first year as a

potential. With the weight of The WCRS Group behind it, The Ball Partnership has the opportunity to grow to be a scale player in the Australian market.

There is also the prospect of considerable growth throughout the region, both organically and by acquisition. The introduction of clients from other agencies in the Group will provide a significant source of growth. Three examples are BMW, Sheraton and Laura Ashley, which are now clients in Australia. Two of these were introduced by WCRS Mathews Marcantonio in London.

There is ample scope, too, for further acquisition as a means of entry into new markets, such as Taiwan and New Zealand.

Recent developments

The Group announced in the spring that it had reached agreement to buy the busi-

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member of the Group.

The management of the network will remain in the hands of Michael Ball as Chairman and Chief Executive Officer, Neil French as Executive Creative Partner and Maurice Morgan as Chief Financial Officer. In line with the WCRS philosophy the local offices in the different countries have autonomous management, coupled with the WCRS style of firm but relevant financial controls. With this management team in place the net-



work should become a significant profit earner for the Group in the medium term

Our wizards of Oz

Australia, where the Partnership has offices in Sydney, Melbourne and Hobart, is the area of most immediate

ness of Garland Stewart & Roache. This was merged with The Ball Partnership in Sydney and now provides the Group with a much strengthened business base and creative reputation. Wayne Garland, Anthony Stewart and Ian Roache have entered into five-year service contracts with The Ball Partnership. In addition, Wayne Garland has been appointed Managing Partner of the office in Sydney.

Since the merger the Sydney office has added some £5 million of new billings and as a whole The Ball Partnership has shot up to rank number 15 in Australia.



Public relations

The Group's objectives for public relations are every bit as ambitious as they are for other parts of the business. Today our principal consultancies, Biss Lancaster in the United Kingdom and Creamer Dickson Basford (CDB) in the United States together rank number 12 in world terms, with an income in excess of £10 million per annum. Both are showing substantially faster than average growth. Already, their work on shared clients points to the potential for transatlantic co-operation.

Becoming a world player

A number of factors are working in our favour. The gap between the two top companies worldwide (Hill & Knowlton and Burson Marsteller) and the rest is considerable. The industry is still fragmented, both at local market level and internationally. Against this backcloth

leadership of Adele Biss and Graham Lancaster the business continues to flourish with income up over 90 per cent in the two years since it joined the Group. In the same period the number of staff has increased from 43 to 83. Biss Lancaster's philosophy is to staff ahead of growth and given the acute shortage of experienced



high-calibre executives in this rapidly growing industry, to devote considerable resource to training and developing its own consultants. This extensive training programme costs about 3 per cent of turnover.

In 1986 alone, growth in fee income was in excess of 50 per cent, and reflecting this progress, the board was strengthened by the appointment of four new

to become a major source of growth in the years ahead.

The company has developed some very successful campaigns for high-profile clients as mixed as The Daily Telegraph, Barker & Dobson, and the Mars London Marathon. It continues to be very strong in growth sectors such as retailing, where it works with clients such as Boots and Sketchley (its first client account). It is also well positioned in travel PR, which it dominates, and in food and drink where it acts for household names like St. Ivel, Booker Health, British Sugar, Bell's and Britain's largest selling beer – Guinness.

Lay & Partners

Lay & Partners is a two-thirds owned subsidiary of The WCRS Group headed by Philip Lay, and forms the second leg of the Group's United Kingdom public

16 P U B L

The WCRS Group has a very strong position, and the scope for growth – both organically and through acquisition – by extension into new skill areas and new territories is considerable. The track record, reputation and above-average profitability of our existing operations provide a sound basis for such extension. Our goal is to make each of our operations into a top five player in its market within the next three years. At the same time we will consider moves to develop into new geographical markets, should suitable opportunities present themselves.

Biss Lancaster

Biss Lancaster, the main arm of WCRS's public relations activities in the United Kingdom, has grown in less than a decade to become one of the top consultancies in the country. Under the dynamic

I C R E A T I O N S

directors to provide a springboard for further growth.

Into the financial area

The firm had targeted corporate and financial public relations as a major growth area and made a significant breakthrough in this market when Woolworth Holdings appointed it as one of the PR advisers in its ultimately successful attempt to fight off a takeover bid from Dixons. Biss Lancaster's close involvement with such a high-profile bid defence significantly enhanced awareness of the consultancy in the financial sector.

Following this success the company expanded its corporate and City public relations capability when, in February 1987, Jeremy Wyatt joined with a team of four executives. The new team has already secured a number of clients, including S & W Berisford, and looks set

relations activities.

It has developed an exciting niche at the interface of public relations and sponsorship, organising media events for major clients. It is heavily involved in various sports spectaculars, including the American Bowl at Wembley Stadium for Anheuser-Busch, the American brewer. It also has Watney Mann & Truman Brewers, Qantas and Wings as clients.



Adolf Hitler, 1932 election campaign

CREAMER DICKSON BASFORD

The Group has made a significant impact on public relations in the United States. Its main vehicle, Creamer Dickson Basford, until last year a division of HBM/Creamer, has become an autonomous PR company under the direction of Mitchell Kozikowski, Chairman and Chief Executive Officer, and Jean Farinelli, newly recruited President and Chief Operating Officer — one of the outstanding young talents in the industry. During her career as Senior Vice President with Carl Byoir and Associates and as President of Tracy-Locke/BBDO Public Relations she won 28 major PR awards.

PR in demand

The US public relations sector is growing at an average rate of 15 per cent per annum. CDB has grown ahead of this and now ranks in the top 12 PR consul-

Sheraton Corporate, Monsanto and Danone.

A year of achievements

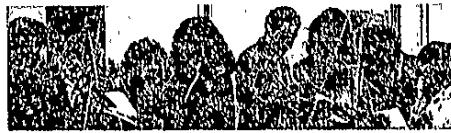
This has been the most active and significant period in CDB's life. It has in the past year been successfully spun off, new management is in position in the principal offices in Boston and New York, and we are now actively exploring further growth opportunities. Demanding targets for the new management have been set, and we are very encouraged by the early progress that has been achieved since these changes took effect.

C P R U B I L I C R E L A T I O N S

tancies in the United States.

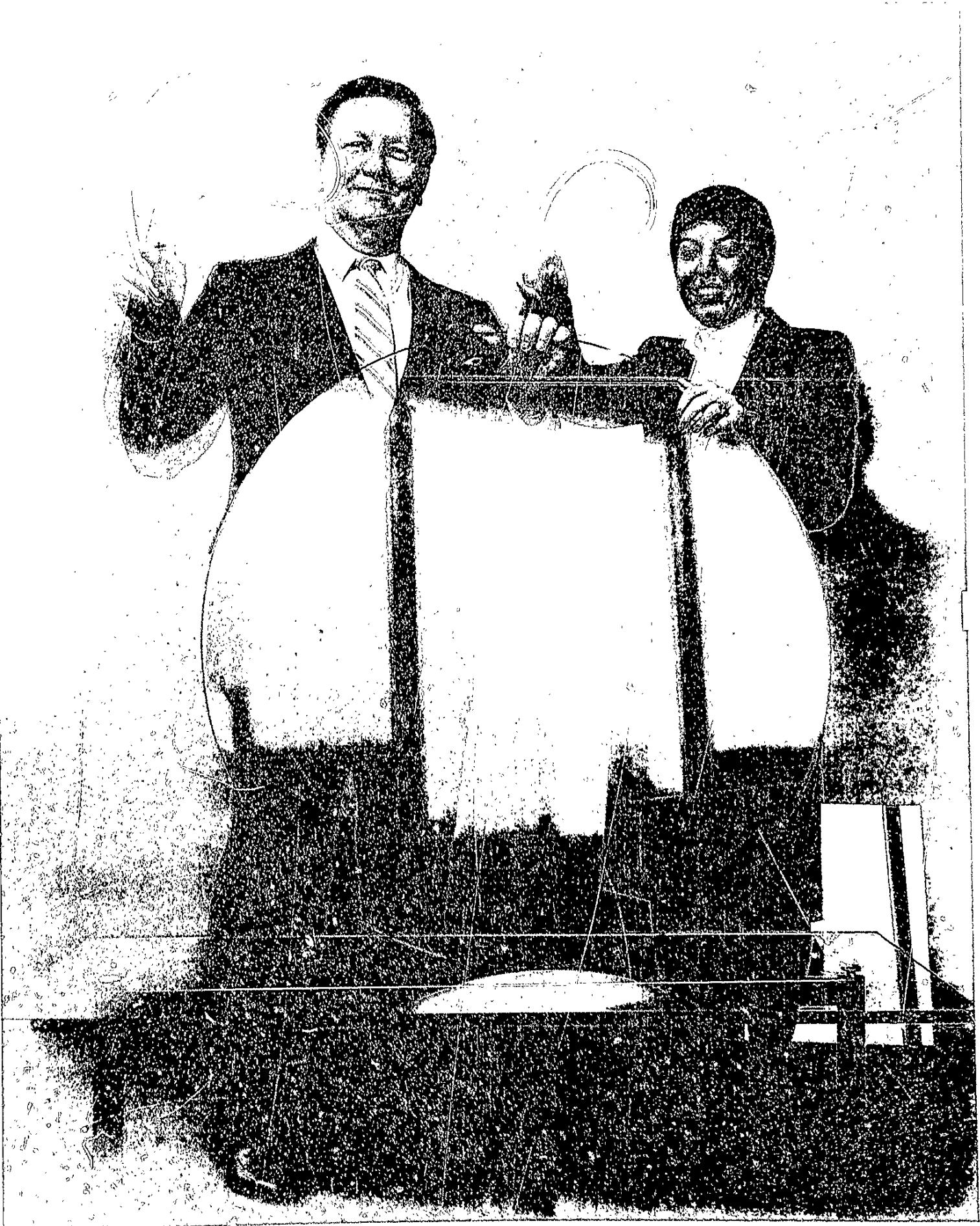
CDB has strong positions in the local offices of Boston, Hartford, Providence, Pittsburgh, and New York — which generates roughly half the total business of the company.

Its main activities are in consumer goods marketing, which accounts for about 50 per cent of turnover, corpor-



ate and industrial public relations, investor relations and financial PR, and healthcare.

Among many other major clients, CDB numbers Ocean Spray, Procter & Gamble, Nestlé, Alitalia, Coors, Shiseido US, American Brands and McDonald's. In the last few months there has been a surge in new business — including



The last three years have witnessed unparalleled growth in the market for design services. Greater consideration is now being given to the role of design in the development of corporate and brand identities - particularly in the light of escalating media costs.

The design opportunity

For an increasing number of clients design is no longer perceived as a fragmented series of projects whose goal is simply to make things look attractive. Design is now an integral part of the business system itself; its task is to create a substantial, consistent image that shines through virtually every form of visual communication about a product or service - be it the creation of a corporate identity or the design of a retail outlet. Because we believe that the type of expertise necessary to produce outstanding



work will differ by design discipline, our strategy for the design group entails bringing together consultancies with specialist skills and creating the framework within which they can work in parallel.

Our design business so far consists of four companies in three countries with an income of £7 million.

Saunders Design

Saunders Design, acquired in September 1986, specialises in the design of commercial interiors - including retail stores, offices and exhibitions. Recent clients



include Stylo Barratt, Trusthouse Forte, Argyll Foods, Sketchley and Sears. Saunders Design has improved its trading performance substantially.

In October it was appointed by Bentalls to develop and implement the concept for a new 200,000 sq.ft. department store in Kingston-on-Thames. This is part of a £120 million project which will open in 1989.

It was commissioned by Hamleys to relaunch the legendary toy store in Regent Street, London, and to supervise the design and development of several regional branches. This contract was won against fierce competition from other design groups.

The year also saw Saunders Design working in Hong Kong, where the consultancy has been commissioned to redevelop the Watsons drugstore chain.

Siebert/Head

In January 1987 WCRS bought Siebert/Head with immediately encouraging results. Founded in London in 1972 by



Ed Siebert and Richard Head, it was the first consultancy outside America to establish package design as a specialist skill. Since then it has positioned itself, outside the US, as the leading specialist package design consultancy, with clients in 17 countries.

Siebert/Head successfully marries creative skills with a highly analytical approach. As a result, its already impressive core client list, which includes Procter & Gamble, RHM Foods and Mars, has expanded with the recent addition of Van den Berghs, Batchelors and United Biscuits.

Pack redesign developed by Siebert/Head was recently the fulcrum of a major relaunch of the McDougalls brand of flours and food mixes. It designed the logo, wrapper, cereal box and display carton for Tracker, the successful new gran-

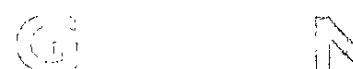


ola bar from Mars Confectionery, and also created a dynamic new container shape for Duckhams QXK and Hyper-grade motor oil.

Heller Breene

In the United States the graphics-based design group acquired with the purchase of HBM/Creamer Boston was relaunched as Heller Breene under the inspired leadership of Cheryl Heller. Cheryl has already established a national reputation by winning more than 300 local and national awards for her work, and the agency is now the largest design company in the North East.

Its specialist skill is the creation of high-quality printed communications for clients whose visual image is of crucial



importance. Boosted by the addition during the year of Maslow, Gold & Roths-



child's design interests, turnover has grown rapidly to £2.5 million. Its client list includes the highly successful athletic footwear company, Reebok International, Reed & Barton, SD Warren (a division of Scott Paper Company) and Bank of Boston.

Lunn Dyer

WCRS has also recently acquired the Lunn Dyer Group, a Sydney-based design company. Lunn Dyer, whose clients include Qantas, BHP, Sheraton and Rosemount Wines, are Australia's leading corporate identity designers and will spearhead our design growth in the Pacific Basin.



Richard Saunders

John Bradfield

Chris Fletcher

Richard Head

In addition to our three primary areas of business - advertising, PR and design the Group has entered a number of new fields where our position is less developed, but where we believe the potential for long-term profitable growth is considerable. These fields are sponsorship, direct marketing, strategy consulting and, most recently, healthcare communications. As our experience in each new field develops, we will decide the right pace and direction so as to maximise its potential.

SPONSORSHIP

In December 1986 the Group bought Alan Pascoe Associates (APA), Britain's leading sponsorship company. This move was in response to the increasing importance of sponsorship, and the ever greater budgets that clients now allocate to this activity. I am also pleased to welcome

WCRS IN THE UK

Alan Pascoe to The WCRS Group board.

Alan has an extensive blue-chip client base. He has long-term contracts with companies such as Kodak, Pearl Assurance, Hewlett-Packard, Dairy Crest, The Electricity Council, United Biscuits, Peugeot Talbot and The National Dairy Council.



The company has grown rapidly in the past three years and employs over 40 people. With a turnover already close to £4 million, APA is a considerable profit earner for the Group.

Currently APA sponsorship is biased towards sporting events in the areas of athletics, skating and swimming, and the Group intends to develop these further while forging links in other areas

where the reputation and image of both client and sport will also benefit. Management responsibilities are being redefined to allow Alan Pascoe more time to plan the strategic direction of the company, and to concentrate on client and new business activities, while creating a management structure suitable for the day-to-day running of a fast growing company.

Broadening into new ideas

Looking further ahead, the move into sports sponsorship, together with the 20 per cent stake taken in February 1987 in Crossbow Films, positions the Group to take advantage of some of the major growth opportunities of the next decade. In the US sponsored programming is a major feature of satellite and cable television networks. This area of activity is likely to develop rapidly in the United

WCRS IN THE U.S.

Kingdom, when the future shape of television broadcasting becomes clearer. With its leading position in the market, APA has the prospect of significantly increased business from this source.

DIRECT MARKETING

The advertising agency acquisitions in the United States brought with them a foothold in the direct marketing business. This is an area of significant growth potential as advertisers seek to identify more closely the payback from different kinds of media expenditure. In Britain the Group started up WCRS Direct. It also has a small but potentially significant presence in direct marketing in Hong Kong and Sydney, through Ball Direct Marketing which came with the purchase of The Ball Partnership.

Boston based IBM/Creamer Direct is involved in direct mail, print and broad-

cast promotions, telephone marketing, contests and sweepstakes. Its mail shots in particular have proved highly effective, underlining the company's creative talent.

Since it was founded in 1985 the consultancy has grown fast under Tim Moroney and now employs some 18 people. Clients include AT&T, Bank of



Boston and Sheraton, and rapid turnover growth is expected.

Our New York business Della Femina, Travisano has in the last year also started a direct marketing subsidiary, DIFT Direct, and this has quickly made an impact. The subsidiary is headed by Ed Kessler and has already won both in-house and third-party clients including Chemical Bank and Bloomingdales.

WCRS IN LONDON



WCRS Direct in London is still at an early stage but has had an encouraging first six months and now employs 10 people under Cheryl Koenig. It has established itself quickly with clients who include Dell Computer Corporation, Business Time/system and the Welsh Tourist Board.

STRATEGY CONSULTING

As a result of a healthier economic climate and the increasing sophistication of management throughout the world, demand for all forms of consulting is buoyant, and high rates of growth are expected over the next few years. Total worldwide expenditure on strategy consulting last year was about £1 billion.

WCRS entered this field in April 1987



Alan Pascoe at his desk. Associates

by taking a 49 per cent stake in a new firm, Goodall Alexander O'Hare, GAH was set up by three highly talented consultants - former McKinsey manager, Christopher Goodall, together with Marcus Alexander and Mark O'Hare from The Boston Consulting Group.

While the new company will be an attractive source of profit in the near future, we took a stake in GAH primarily because of the opportunity it provided to give an extra dimension to the services we already offer our clients.



GAH concentrates on strategy consulting to the top management of large corporations. Its association with WCRS has enabled it to provide an additional breadth of marketing expertise which

developed countries healthcare expenditure is increasing rapidly. In the US, for instance, between 1960 and 1985 healthcare expenditure as a percentage of GNP nearly doubled to 10.4 per cent.

Demand for healthcare will expand rapidly as the population continues to age, which in turn will create the opportunity for significant increases in direct consumer advertising.

To quote from Fortune, the American business magazine: "The healthcare industry has discovered advertising... healthcare advertising on television increased 40 per cent last year to \$125.6 million. Industry experts say total healthcare advertising could reach \$1.6 billion by 1990, equal to the current ad spend of the big three automakers."

The Robert A Becker agency was one of the last major independent medical

24 IN

E W V E

already distinguishes it from its competitors.

Our link with GAH provides an investment opportunity in a high-growth, high-profit business with an exceptionally strong talent base. GAH has already provided advice to several clients within the Group, as well as attracting a number of blue-chip clients in its own right.

HEALTHCARE COMMUNICATIONS

Since the year end we have also announced the acquisition of Robert A Becker, an American medical advertising agency. While the overall advertising market in the US is expected to grow at only 6-7 per cent per annum, there are a number of specialist markets such as financial and healthcare communications where growth is expected to be explosive.

There are many underlying reasons for the growth in healthcare. Across all

N T U R E

agencies and has one of the highest reputations. Its clients include Merck Sharpe & Dohme, Mead Johnson, Schering-Plough, Roerig (a division of Pfizer) and Sandoz.

The acquisition of Becker complements our existing activities in this area. Not only is CDB a fast growing presence in healthcare PR and professional communications, but IBM/Creamer has been carrying out pilot work for one of the major pharmaceutical companies in direct-to-consumer advertising. With the acquisition of Becker we are now able to offer the full range of communications services to the healthcare industry and have one of the most impressive all-round line-ups in the US.



Below: Mark O'Hare, Christopher Gable, Marcus Alexander

The WCRS Group plc: Cross-servicing

We work for the following clients in two or more service divisions

	Advertising	Public relations	Design	Other
Alcoa	■	■	■	■
Allied Signal	■	■	■	■
American Brands	■	■	■	■
Bank of Boston	■	■	■	■
BASF Systems	■	■	■	■
BHP	■	■	■	■
Booker Health	■	■	■	■
Colgate	■	■	■	■
Digital	■	■	■	■
Dow Chemical	■	■	■	■
Duckhams	■	■	■	■
Guinness	■	■	■	■
G D Searle	■	■	■	■
Hercules	■	■	■	■
Hershey	■	■	■	■
Mars	■	■	■	■
McDonald's	■	■	■	■
Nestlé	■	■	■	■
Procter & Gamble	■	■	■	■
Qantas	■	■	■	■
Qualcast	■	■	■	■

26 CROSS-SERVICING

Reebok	■	■	■
RHM Foods	■	■	■
Rémy Martin	■	■	■
Schering-Plough	■	■	■
Sheraton Hotels	■	■	■
Stanley Tools	■	■	■
St Ivel	■	■	■
Tambrands	■	■	■
Tetra Pak	■	■	■
Thomson Travel	■	■	■
United Biscuits	■	■	■

We work for the following clients in two or more geographical areas

	UK	US	Pacific Basin
BASF	■	■	■
BMW	■	■	■
Bristol-Myers	■	■	■
Dow Chemical	■	■	■
Hayes	■	■	■
Laura Ashley	■	■	■
Procter & Gamble	■	■	■

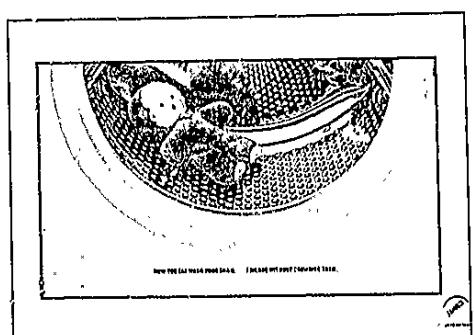
MAJOR CREATIVE AWARDS

WCRS

Campaign Press Awards 1 Gold 4 Silvers British Television
Advertising Awards 1 Gold 3 Silvers Travel Advertising Awards
1 Gold 3 Silvers International Advertising Awards Finalists
1 Gold 1 Silver 1 Bronze 1 Silver 1 Gold 1 Silver 1 Gold 1 Silver
International Film Festival New York
Clio Circle 1 Gold 1 Silver 1 Bronze 1 Silver Finalists
D&AD 2 Silvers Creative Advertising Division
Advertising Age Adweek 2 Silvers 1 Gold 1 Silver 1 Silver
The One Show
Andy Awards 1 Gold 1 Silver 1 Bronze 1 Gold 1 Silver 1 Gold 1 Gold
7 Winners
Andy Awards 1 Gold 1 Silver 1 Bronze 1 Gold 1 Silver 1 Gold 1 Gold
7 Winners
Pittsburgh Belding Awards 1 Gold 3 Silver
Broadcast Awards 1 Gold 1 Silver 1 Gold 1 Gold 1 Gold 1 Gold 1 Gold
Adweek/New England Broadcast Awards 7 Winners
1 Gold Andy Awards 1 Gold 1 Silver 1 Gold 1 Gold 1 Gold 1 Gold 1 Gold
8 Certificates Housewife of the Year International Film Festival
The Ian Writer
Clio Awards 1 Gold 1 Silver 1 Gold 1 Gold 1 Gold 1 Gold 1 Gold 1 Gold
Pica Awards



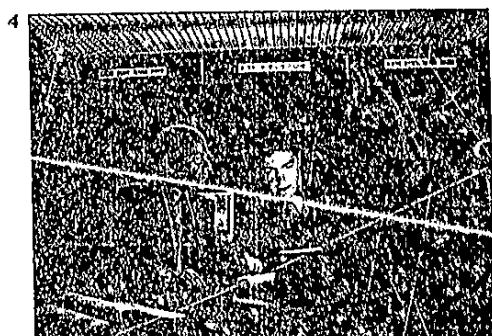
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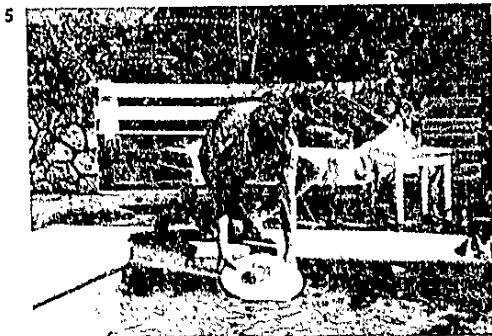
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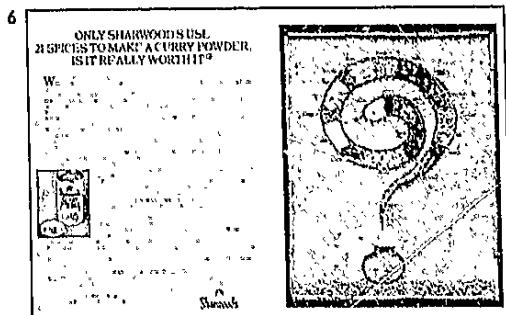
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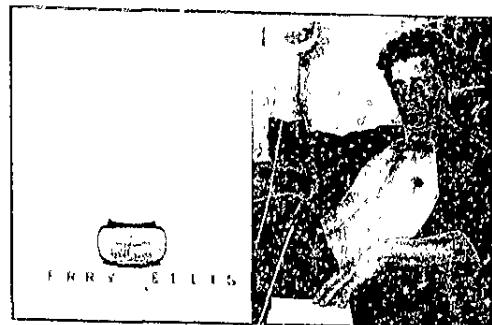
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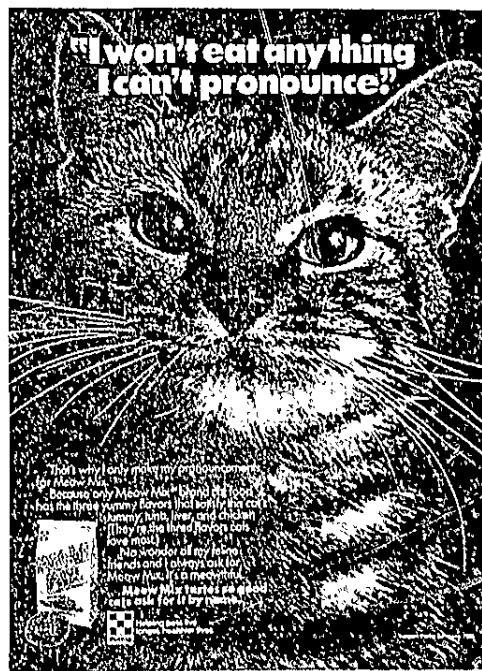
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5



A fine example of division of labour.

It may seem a contradiction in terms, but a divided workforce can be a happier workforce. It's the sort of thing that many of your employees would like to hear you say.

While the conventional route would usually be to sack, there is one of those rare ideas that needs implementing.

Say you've got an employee who, for whatever reason, wishes to reduce their working week by fifteen hours.

Ask an unemployed person to work those hours and you'd save about £1,000.

Part-time working could also offer a full-time solution to a part-time problem.

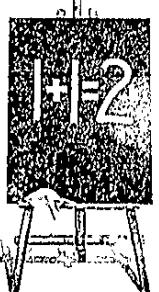
Divide the office staff so if you create two, new part-time jobs for people within the stable group.

Or, if they're married, another way to cut the day's wage.

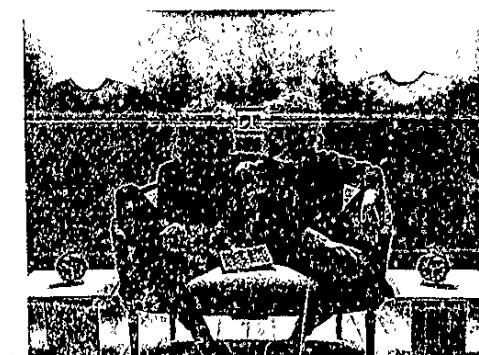
With AdvoCare, like lots of people give up their extra hours you can create two extra part-time jobs. And, as well as saving money, you'll be contributing to the G.C.C., TUC and Unite the Unions. They've worked out that two heads plus £1,000 are better than one.

Call free now 0800 100 100 and ask for brochure or visit www.advcare.co.uk for more information.

Position _____
Company Address _____
ADVOCADE ACTION FOR JOBS
Member of the Employment Protection Unit, the Society of Small Business and the PSC

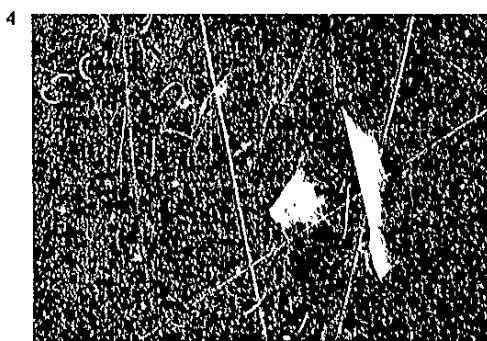


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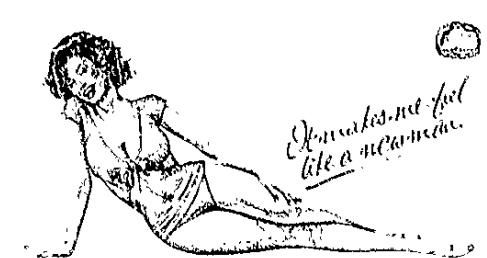


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6



2

For gourmeters, it must be *Hormatus americanus*.

Stouffer's "Hormatus americanus" is the result of the alliance between New Brunswick and Prince Edward Island's famous Stouffer's Foods and the meat from the claws and tails of three dozen lobsters. Each portion is first cut, then gently sautéed with a taste and character that few before now have known.

Now you know one of the reasons why Stouffer's is the choice of the Lobster Capital of the World.

Stouffer's
As good as can be.

3

GOURMET COFFEE

Taster's Choice

Fresh Brewed

The Choice for Taste

Taster's Choice uses the very same beans found in our own house blend, for superior tasting coffee. Choose original Taster's Choice or coffee from over 2000 stores in my city or naturally sweetened coffee from the Taster's Choice Cafe.



5

FOR FOUR DAYS IT REIGNED AT THE BRITISH OPEN.

The 1986 British Open Official Ball Count

Brand	Count
Titleist*	82
Dunlop	59
Wilson	3
MacGregor	1
Spalding	4
All Others	4

This year, an American tradition was honored by most of the pros at the British Open. The playing of the Titleist ball.

Titleist
Ball Importing





2

CONTINENTAL AIRLINES

IF
YOU OWNED
AN AIRLINE,
WOULDN'T YOU
FLY TO TAHITI
TWICE A WEEK?
WE DO.

Continental. The folks who fly the planes own the airline.

3

Berne protests kidnap of
2 Swiss by Botha govt

ANC reps to meet US official

Sid the slobette
is a
of a salman

The man in the moon
lives down under

PAUL MASSON
Sauvignon



4

The perfect gift
for someone interested
in animals, boatbuilding,
conservation, carpentry,
sailing, art, or religion.

TIME
ARK

5

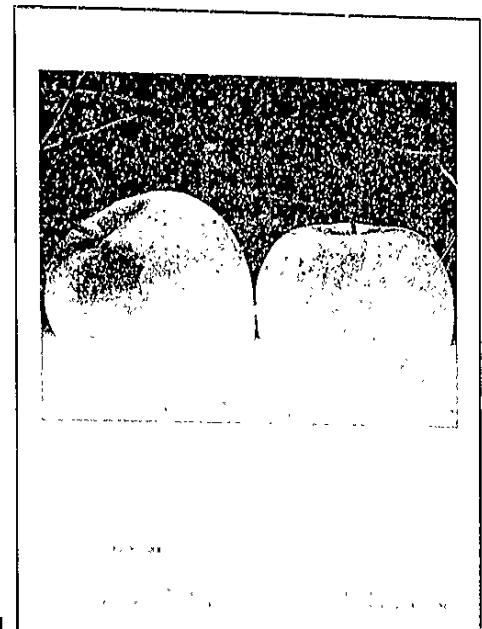
SHOES
BOAT STRINGS
TENGS
ROUND HANDBELLS
FOLK ART

SUZUKI AUTO

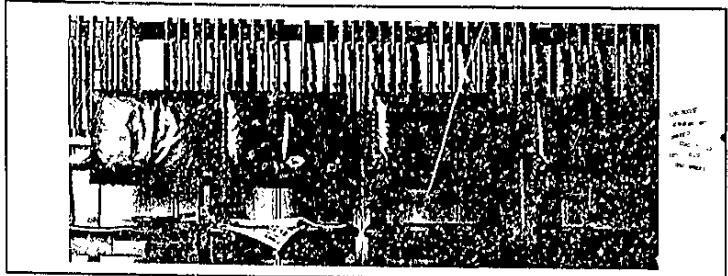
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A man in a white shirt and tie is working on a large, dark wooden structure, possibly a boat or a piece of furniture, in a workshop setting.

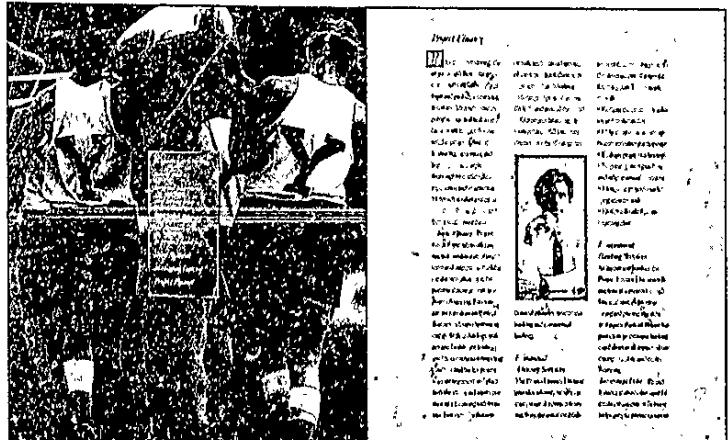
Design: Heller Breene



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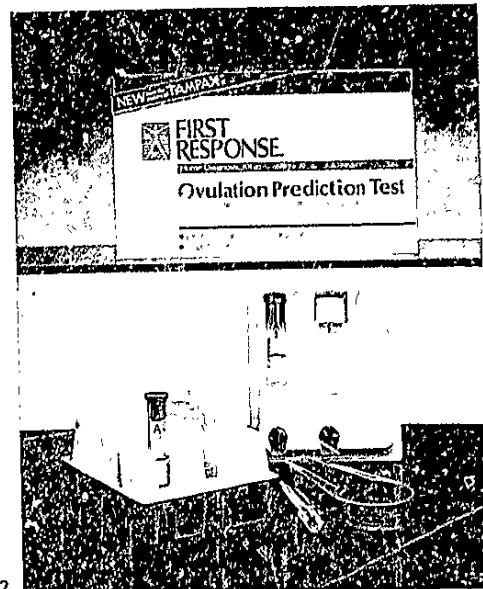
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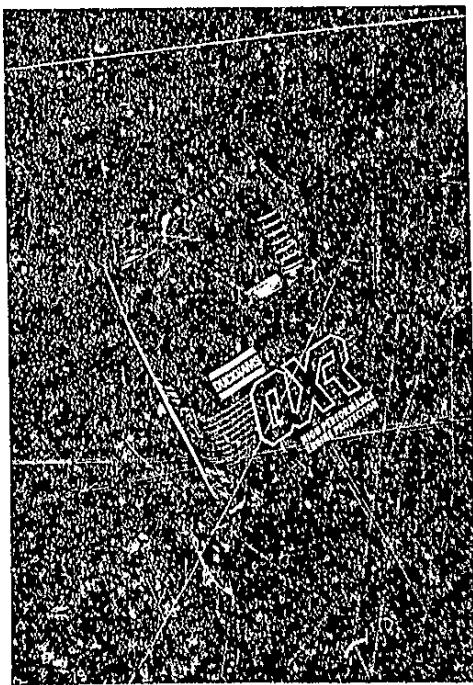
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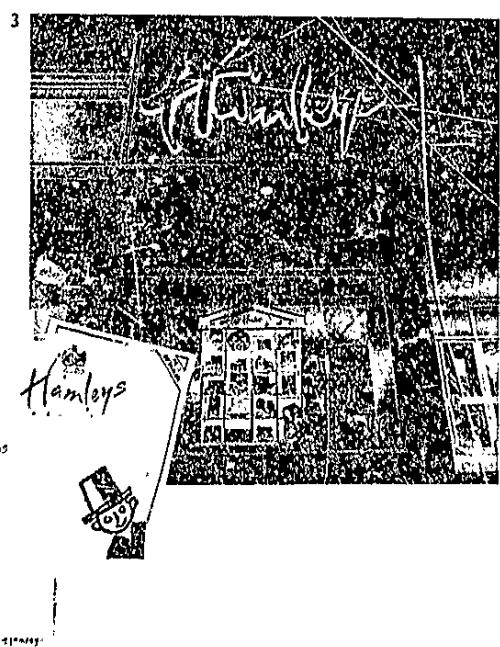
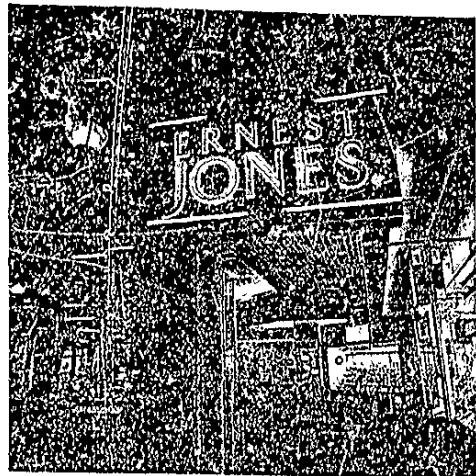


2



3





1 Ernest Jones 2 Stylo Barratt 3 Hamleys 4 Jargon

TURNOVER (£'000)

1979/80	3,974	1980/81	7,175	1981/82	12,085	1982/83	19,771	1983/84	26,621	1984/85	36,267	1985/86	56,108	1986/87	358,599
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PROFIT BEFORE TAX (£'000)

1979/80	10	1980/81	36	1981/82	39	1982/83	61	1983/84	95	1984/85	1,484	1985/86	2,911	1986/87	10,108
---------	----	---------	----	---------	----	---------	----	---------	----	---------	-------	---------	-------	---------	--------

FINANCIAL REVIEW

PROFIT AFTER TAX (£'000)

1979/80	10	1980/81	29	1981/82	52	1982/83	503	1983/84	525	1984/85	78	1985/86	1,575	1986/87	6,006
---------	----	---------	----	---------	----	---------	-----	---------	-----	---------	----	---------	-------	---------	-------

AVERAGE NUMBER OF EMPLOYEES

1979/80	13	1980/81	20	1981/82	36	1982/83	56	1983/84	80	1984/85	111	1985/86	125	1986/87	1199
---------	----	---------	----	---------	----	---------	----	---------	----	---------	-----	---------	-----	---------	------

EARNINGS PER SHARE (PENCE)

4.13
1982/838.52
1983/8410.26
1984/8518.33
1985/8636.17
1986/87

DIVIDENDS PER SHARE (PENCE)

1.21
1982/831.75
1983/842.40
1984/853.63
1985/866.25
1986/87

FINANCIAL REVIEW

SHARE PRICE (PENCE)

11.5
1982/8312.5
1983/8413.5
1984/8513.5
1985/8614.5
1986/87

MARKET CAPITALISATION (£'000)

8,328
1982/8313,773
1983/8424,812
1984/8534,145
1985/8640,283
1986/87

DIRECTORS OF THE WCRS GROUP PLC

Robin Wight
Andrew D Rutherford
Peter J Scott
Adele Biss
R Timothy S Breene
Donald Creamer (us citizen)
Jerry Della Femina (us citizen)
Edward Eskandarian (us citizen)
George M Magan (non-executive)
Simon M Olswang (non-executive)

Alan P Pascoe

Charles R Stern

Stephen J White

SECRETARY

Mark J Silver

REGISTERED OFFICE

41/44 Great Queen Street
London WC2B 5AR
Tel: 01-242 2800
Telex: 9419160

DIRECTORS & ADVISERS

SOLICITORS

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

BANKERS

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

STOCKBROKERS

James Capel & Co.
6 Bevis Marks, London EC3A 7JQ

REGISTRARS

The Royal Bank of Scotland plc
PO Box 27, 34 Fettes Row
Edinburgh EH3 6UR

AUDITORS

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

MERCHANT BANKERS

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

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 30 April 1987.

RESULTS & DIVIDENDS

The profit and loss account is set out on page 41 and shows a profit for the year on ordinary activities of £6.1 million after deducting taxation of £4 million. The Directors recommend the payment of a final net dividend of 4.4p per Ordinary share which, together with the interim dividend of 1.85p makes a total of 6.25p (1986 - 4.25p). The retained profit for the year of £4.3 million is carried to reserves.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be that of an advertising agency and holding company based in Central London. Its subsidiaries provide

the Group acquired the business of Garland Stewart & Roache Pty. Limited, a leading Australian advertising agency on 25 June, and Lunn Dyer & Associates Pty. Limited, an Australian design company on 29 June.

Further agreement was reached to acquire Robert A Becker Inc., a US medical agency with annual billings of approximately US\$24 million.

To finance these acquisitions and to continue the expansion of the Group, £28.4 million net of expenses was raised by way of a rights issue on 29 May 1987 of 5,140,154 new Ordinary shares at 575p each. At that date the authorised share capital was increased from £4.7 million to £5.3 million.

The effects of the acquisition of The Ball Partnership and rights issue are set out in Note 1 to the financial statements.

INCOME AND CORPORATION TAXES

ACT 1970

The Directors have been advised that the Company is not a close company within the meaning of the terms of the Income and Corporation Taxes Act 1970, as amended.

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

M J Silver, Secretary *M. J. Silver*
30 June 1987

DIR E C T

a broad range of services in the communications and marketing business sectors.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The increases in turnover and profit before taxation of 539 per cent and 287 per cent respectively reflect both the continuing success of the Group and the contributions from new subsidiaries during the year. A review of the business and likely developments of the Group is given in the Chairman's statement and Chief Executive's review.

Since the year end, on 12 June 1987 the Group completed the acquisition of the whole of the issued share capital of The Ball Partnership, a network of advertising and direct marketing companies operating in the Pacific Basin. To supplement the Group's first significant expansion into this geographical area,

D I R E C T O R S ' R E P O R T 3

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in Note 12 to the financial statements.

DONATIONS

The Group made charitable donations of £86,000 during the year. There were no political donations.

DIRECTORS AND DIRECTORS' INTERESTS

The Director of the Company during the year and to the date of this report, and their interests in the share capital of the Company whilst Directors are given in Note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

On 30 June 1987 no person (excluding Directors) has reported an interest of 5% or more in the Ordinary shares of the Company.

TO THE MEMBERS OF THE

WCRS GROUP PLC

We have audited the financial statements
on pages 41 to 56 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 30 April 1987 and of the profit
and source and application of funds of the
Group for the year then ended and comply
with the Companies Act 1985.


Stoy Hayward

Chartered Accountants

8 Baker Street, London W1M 1DA

30 June 1987

40 AUDITORS' REPORT

Consolidated profit and loss account for the year ended 30 April 1987

notes	1987	1986
	£'000	£'000
3 Turnover	358,599	56,108
Direct cost of sales	298,528	46,776
Gross income	60,071	9,332
Administration expenses	50,759	6,826
	9,312	2,506
4 Other operating income	275	4
Share of profit from related companies	218	80
Bank interest receivable	753	67
	10,558	2,657
5 Interest payable	450	46
6/7/8 Profit on ordinary activities before taxation	10,108	2,611
9 Taxation on profit on ordinary activities	4,002	1,044
Profit on ordinary activities after taxation	6,106	1,567
Minority interests	3	1
10 Dividends	1,765	322
Retained profit for the financial year	4,338	1,244
(Profit for the year retained by:		
Holding company	2,108	826
Subsidiary companies	2,052	368
Related companies	178	50
	4,338	1,244
Earnings per Ordinary share		
11 Undiluted	36.17p	18.03p
11 Fully diluted	34.27p	

notes	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Fixed assets				
12 Tangible assets	10,131	2,211	3,341	1,884
13 Investments	733	94	56,455	393
	10,864	2,305	59,796	2,277
Current assets				
Work in progress	799	20	—	16
Motor vehicle fleet	1,689	311	1,587	311
14 Debtors	51,733	11,093	11,603	10,099
15 Investments	8	—	—	—
Cash at bank and in hand	9,328	1,967	6,165	1,881
	63,557	13,391	19,355	12,307
Creditors				
16 Amounts falling due within one year	63,406	12,306	17,625	11,647
Net current assets	151	1,085	1,730	660
Total assets less current liabilities	11,015	3,390	61,526	2,937
Creditors				
17 Amounts falling due after more than one year	10,496	179	5,481	179
Provisions for liabilities and charges	438	307	68	237
Minority interests	3	1	—	—
	78	2,903	55,977	2,521
Capital and reserves				
19 Called-up share capital	3,518	759	3,518	759
20 Share premium account	1,405	—	1,405	—
20 Goodwill reserve	(10,808)	—	—	—
20 Merger reserve	—	—	47,184	—
20 Profit and loss account	5,963	2,144	3,870	1,762
	78	2,903	55,977	2,521

J Scott, C.R Stern Directors 30 June 1987

CRS

Consolidated statement of source and application of funds

Source of funds	1987	1986
	£'000	£'000
Profit on ordinary activities before taxation	10,108	2,611
Adjustment for items not involving the movement of funds		
Depreciation	1,458	319
Profit on sale of fixed assets	(74)	(70)
Profit retained in related companies	(218)	(80)
Exchange translation adjustments	(64)	—
	<u>1,102</u>	<u>169</u>
Total generated from operations	11,210	2,780
Funds from other sources		
Issue of Ordinary shares*	2,319	—
Issue of Convertible Preference shares*	1,845	—
Sale of fixed assets	761	187
Increase in long-term finance	<u>10,317</u>	<u>—</u>
	<u>15,242</u>	<u>187</u>
	<u>26,452</u>	<u>2,967</u>
Application of funds		
Additions to tangible fixed assets*	10,521	912
Purchase of fixed asset investments	461	—
Net goodwill on acquisition of subsidiaries*	<u>10,808</u>	<u>—</u>
Taxation paid	5,997	657
Dividends paid	<u>1,005</u>	<u>247</u>
	<u>28,792</u>	<u>1,816</u>
	<u>(2,340)</u>	<u>1,151</u>
(Increase)/decrease in working capital		
Motor vehicle fleet	(1,378)	251
Work in progress*	(779)	(422)
Debtors and prepayments*	(39,269)	(5,567)
Creditors and accruals*	<u>50,526</u>	<u>4,666</u>
	<u>9,100</u>	<u>(1,072)</u>
Increase in bank and cash balances	6,760	79

*Summary of the effects of the acquisition of subsidiaries and deferred consideration payments during the year

	£'000	£'000	
Tangible fixed assets	6,763	Issue of Ordinary shares	858
Current assets	39,930	Issue of Convertible Preference shares	1,845
	<u>46,693</u>	Cash paid	<u>13,423</u>
Creditors and provisions	<u>(41,375)</u>	Goodwill	<u>(10,808)</u>
	<u>5,318</u>		<u>5,318</u>

I POST BALANCESHEET EVENTS

Since the year end the following events have taken place:

i On 12 June 1987 the Group completed the acquisition of The Ball Partnership, a network of advertising and direct response companies operating in the Pacific Basin.

The consideration for the acquisition was as follows:

- a the sum of US\$10,383,000 in cash.
 - b the allotment and issue of 123,570 Ordinary shares.
 - c the issue of a debenture constituting the WCRS unlisted non-interest bearing convertible secured loan stock 1992 in nominal amount of sterling equivalent to US\$2,430,000 (for which one of the vendors subscribed US\$1,000,000) convertible into Ordinary shares at a price of 63 1/2p per share, as to 50% within the conversion period following 30 June 1990 and 50% within the conversion period following 30 June 1992 dependent on achieving profit targets within those periods.
 - d the sum of US\$918,378 paid to one of the vendors to discharge certain Promissory Notes given by The Ball Partnership.
- ii On 29 May 1987 the authorised share capital was increased from £4,700,000 to £5,300,000 by the creation of 6,000,000 Ordinary shares of 10p each. In addition approximately £28,400,000 net of expenses was raised by way of a rights issue to shareholders of 5,140,154 Ordinary shares, in the proportion of 1 Ordinary share of 10p for every 4 Ordinary shares of 10p previously held and 5.1875 Ordinary shares of 10p for every 100 Convertible Preference shares of 10p previously held.

By special resolution passed on 29 May 1987, in order to preserve the distributable reserves of the Group, and subject to confirmation by the Court, approval was given for the reduction of the share premium account (which has been augmented by approximately £28,100,000 as a result of the rights issue) by £29,550,000. An equivalent amount was transferred to the credit of reserves to be used for writing off goodwill on acquisitions. With effect from the close of business on 24 July 1987, each of the authorised and issued Ordinary shares of 10p each of the Company were subdivided into 2 Ordinary shares of 5p each, to increase their marketability.

The effect of events i and ii above on the consolidated balance sheet at 30 April 1987 is illustrated on page 45.

iii On 25 June 1987 the Group acquired the business and certain assets of Garland Stewart & Roache Pty Limited, a consumer advertising agency based in Sydney, Australia. The consideration for the acquisition is a maximum of A\$5,000,000 payable as follows:

- a A\$1,272,098 on account of the goodwill of the business satisfied at completion by the issue of 46,143 Ordinary shares and the payment of A\$372,444.
- b the issue of 1,319 Ordinary shares on account of the value of the fixed assets.
- c as to the balance of the value of the goodwill, by the issue of Ordinary shares at the then market price in five equal instalments on the five consequent anniversaries of the completion date.
- d as to the balance of the value of the fixed assets, by the issue of Ordinary shares at the then market price when the value of those assets has been calculated.
- e additional consideration satisfied by the issue of Ordinary shares at the then market price (but, in the event of exceptional growth, in part at the completion price) dependent on the post-tax profits of the Sydney agency in the five years ending 30 April 1992.

iv On 29 June 1987 the Group acquired Lunn Dyer & Associates Pty. Limited, an Australian company based in Sydney and the design business previously conducted by that company as trustee of the Lunn Dyer & Associates Unit Trust, for the following aggregate consideration:

- a the sum of A\$1,390,015 paid in cash on completion.
- b additional consideration of up to A\$3,060,000 payable in cash or Ordinary shares at the then market price at the option of the vendors in four tranches dependent on the pre-tax profits of the company in the four years ending 30 April 1991.
- v On 1 July 1987 the Group acquired Robert A Becker, Inc., a US medical agency, for consideration as follows:
- a the sum of US\$8,000,000 paid in cash on completion.
- b additional consideration of up to US\$12,000,000 in five tranches dependent on the pre-tax profits of the company in the five years ending 30 April 1992.
- c If all the profit targets of Becker are met the Group will pay a further US\$1,250,000 to be used for the benefit of the employees of the company.

Pro forma consolidated balance sheet showing effect of
acquisition of The Ball Partnership, rights issue and reduction of share premium account

	30 April 1987	30 April 1987
	(as adjusted)	
Fixed assets	£000	£000
Tangible assets	10,621	10,131
Investments	733	733
	<u>11,354</u>	<u>10,864</u>
Current assets		
Work in progress	999	799
Motor vehicle fleet	1,689	1,689
Debtors	57,087	51,733
Investments	124	8
Cash at bank and in hand	<u>31,477</u>	<u>9,328</u>
	<u>91,376</u>	<u>63,557</u>
Creditors		
Amounts falling due within one year	69,608	63,406
Net current assets	<u>21,768</u>	<u>151</u>
Total assets less current liabilities	<u>33,122</u>	<u>11,015</u>
Creditors		
Amounts falling due after more than one year	12,383	10,496
Provisions for liabilities and charges	438	438
Minority interests	3	3
	<u>20,298</u>	<u>78</u>
Capital and reserves		
Called-up share capital	4,044	3,518
Share premium account	563	1,405
Goodwill reserve	—	(10,808)
Special reserve*	9,728	—
Profit and loss account	<u>5,963</u>	<u>5,963</u>
	<u>20,298</u>	<u>78</u>

*The special reserve represents the excess of the share premium account reduction over goodwill and will be used to write off goodwill arising on future acquisitions.

2 ACCOUNTING POLICIES

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.

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 April 1987. 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 April 1987. The Group's investment in related companies 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.

Goodwill

Goodwill, including any additional goodwill arising from the contingent capital payments set out in note 21, 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% 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, 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 costs 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

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.

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. Gains or losses arising on these translations are taken to reserves.

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.

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

**3 OPERATING PERFORMANCE BY DIVISION
AND GEOGRAPHICAL ANALYSIS**

Operating profit
before taxation

Division	1987	1986	1987	1986
	£000	£000	£000	£000
Advertising	8,091	1,997	309,328	52,699
Public relations	1,318	614	36,612	3,409
Design	900	—	7,368	—
Sponsorship	317	—	1,812	—
Group costs and other	(518)	—	3,479	—
	10,108	2,611	358,599	56,108

Geographical analysis

UK	90,155	56,108
USA	267,400	—
Other	1,044	—
	358,599	56,108

4 OTHER OPERATING INCOME

1987

£000

Rental income	272	4
Income from listed investments	3	—
	275	4

5 INTEREST PAYABLE

1987

£000

On bank loans and overdrafts and other loans repayable within five years	281	46
On capitalised leases and hire-purchase contracts	169	—
	450	46

Notes forming part of the financial statements

6 EMPLOYEES	1987	1986
Staff costs consist of:	£'000	£'000
Wages and salaries	28,457	33,590
Social security costs	1,709	349
Other pension costs	414	57
	30,580	33,996

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

	1987	1986
Number	Number	
Advertising	879	132
Public relations	200	73
Design	72	—
Sponsorship	11	—
Other	37	—
	1,199	205

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

	1987	1986
£30,001 - £35,000	8	7
£35,001 - £40,000	5	—
£40,001 - £45,000	5	1
£45,001 - £50,000	5	2
£55,001 - £60,000	1	—
£60,001 - £65,000	4	—
£75,001 - £80,000	2	1
£80,001 - £85,000	—	1
£95,001 - £100,000	1	—

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is arrived at after charging:

	1987	1986
	£'000	£'000
Depreciation	1,305	319
— of owned fixed assets	153	—
— of assets under finance leases		
Operating lease rentals	62	—
— hire of plant and machinery	3,556	—
— other	206	22
Auditor's remuneration		
And after crediting:		
Profit on sale of fixed assets	74	—
Exceptional income arising on property transactions	612	325

8 DIRECTORS' REMUNERATION

	1987	1986
	£'000	£'000
Emoluments	2,487	517
Fees	6	—
Pension contributions	59	—
	2,552	517
Emoluments (excluding pension contributions) of:		
Chairman	146	73
Highest paid Director	622	82

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

		1987 Number	1986 Number
£0	£5,000		
£15,001 - £20,000		2	1
£20,001 - £25,000		1	—
£30,001 - £35,000		1	—
£40,001 - £45,000		—	1
£50,001 - £55,000		—	—
£70,001 - £75,000		1	4
£75,001 - £80,000		1	—
£95,001 - £100,000		1	—
£110,001 - £115,000		1	—
£185,001 - £190,000		2	—
£220,001 - £225,000		1	—
£260,001 - £265,000		1	—
£405,001 - £410,000		1	—
		<u>14</u>	<u>7</u>

The Directors of the Company during the year and to the date of this report, and their interests in the share capital of the Company as Directors, were as follows:

Beneficial	Ordinary shares of 10p each			55% 10p Convertible Preference shares	
	30 June 1987	30 April 1987	30 April 1986	30 June 1987	30 April 1987
R Wight	<u>746,208</u>	<u>729,892</u>	822,200	<u>72,745</u>	<u>72,745</u>
R Collins (resigned 29.5.87)	—	<u>649,508</u>	755,200	—	<u>67,015</u>
A D Rutherford	<u>622,936</u>	<u>611,472</u>	762,200	<u>71,930</u>	<u>71,930</u>
P J Scott	<u>479,332</u>	<u>466,555</u>	700,750	<u>62,785</u>	<u>62,785</u>
A Biss	<u>133,518</u>	<u>130,564</u>	195,860	<u>17,110</u>	<u>17,110</u>
R T S Breene	<u>12,350</u>	<u>10,475</u>	9,150	—	—
D Creamer* (appointed 4.7.86)	<u>165,789</u>	<u>161,248</u>	—	—	—
J Della Femina*					
(appointed 22.9.86)	<u>460,991</u>	<u>453,444</u>	—	—	—
E Eskandarian* (appointed 4.7.86)	<u>222,966</u>	<u>217,685</u>	—	—	—
G M Magan	<u>10,000</u>	<u>10,000</u>	10,000	—	—
J H McKimmie (resigned 31.5.87)	—	<u>54,466</u>	78,626	—	<u>535</u>
S M Olswang (appointed 20.3.87)	<u>21,666</u>	<u>21,666</u>	—	—	<u>8,165</u>
A P Pascoe (appointed 19.12.86)	<u>124,936</u>	<u>102,642</u>	—	—	—
C R Stern (appointed 5.1.87)	<u>1,000</u>	—	—	—	—
H Strauss* (appointed 4.7.86)					
(resigned 15.4.87)	—	—	—	—	—
S J White	<u>89,472</u>	<u>87,864</u>	88,643	<u>5,940</u>	<u>5,940</u>
Non-beneficial					
R Wight	<u>168,875</u>	<u>167,870</u>	154,000	<u>34,675</u>	<u>34,675</u>
R Collins	—	<u>167,870</u>	154,000	—	<u>34,675</u>
A D Rutherford	<u>93,838</u>	<u>92,883</u>	154,000	<u>38,005</u>	<u>38,005</u>
P J Scott	<u>127,059</u>	<u>115,284</u>	105,500	<u>24,460</u>	<u>24,460</u>
A P Pascoe	<u>8,412</u>	<u>6,730</u>	—	—	—

*US Citizen

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In addition to the above at the year end R T S Breene, J H McKimmie and S J White held options over 150,000, 65,000 and 45,000 Ordinary shares respectively.

P J Scott, A D Rutherford, G M Magan and S J White retire by rotation and, being eligible, have been proposed for re-election.

P J Scott, who is proposed for re-election, has a service contract with the Company that terminates at the earliest on 30 September 1989 and thereafter on receipt of 12 months' notice.

During the year, A Biss received 45,373 Ordinary shares in The WCRS Group plc as deferred consideration for the acquisition of Biss Lancaster plc. The market value of these shares was £174,000.

G M Magan is a Director of Morgan Grenfell & Co Ltd whose parent company, Morgan Grenfell Group plc, received fees of £1,113,000 in connection with certain acquisitions during the year. S M Olswang is a partner of Simon Olswang & Co, Solicitors, which received fees of £486,000 during the year.

9 TAXATION ON PROFITS FROM ORDINARY ACTIVITIES	1987	1986
	£000	£000
UK corporation tax at 35.0% (1986 - 39.6%) based on profit for the year	983	984
Overseas taxation	2,627	—
Transfer to deferred taxation	352	30
	<u>3,962</u>	<u>1,014</u>
Related companies	40	30
	<u>4,002</u>	<u>1,044</u>

10 DIVIDENDS	1987	1986
	£000	£000
Preference		
55% Convertible Cumulative Redeemable Preference shares of 10p each	726	—
Ordinary		
Interim dividend of 1.85p (1986 - 1.07p*) per share	303	95
Final proposed dividend of 4.4p (1986 - 2.56p*) per share	736	227
	<u>1,039</u>	<u>322</u>
	<u>1,765</u>	<u>322</u>

*The 1986 dividends per share have been adjusted to reflect the bonus element in the July 1986 rights issue.

11 EARNINGS PER ORDINARY SHARE

Undiluted

The calculation of earnings per Ordinary share is based on earnings net of tax and preference dividends of £5,377,000 (1986 - £1,567,000) and an average number of Ordinary shares in issue during the period of 14,865,365 (8,686,306). The 1986 earnings per Ordinary share have been restated to reflect the impact of the rights issue.

Fully diluted

The calculation of fully diluted earnings per Ordinary share is based on earnings net of tax but before preference dividends of £6,103,000 and an average number of shares of 17,808,405.

12 TANGIBLE ASSETS

	Freehold land and buildings	Short lease- hold	Leasehold improve- ments	Office furniture, fixtures & equipment	Motor vehicles	Total
Group	£000	£000	£000	£000	£000	£000
Cost at beginning of year	100	—	102	2,294	382	2,878
In subsidiaries acquired	67	635	3,431	6,607	931	11,671
Additions	—	5	1,581	1,313	859	3,758
Disposals	—	—	(332)	(173)	(639)	(1,144)
Exchange rate adjustments	(7)	—	(330)	(592)	(55)	(984)
At end of year	160	640	4,452	9,449	1,478	16,179
Depreciation at beginning of year	—	—	22	548	97	667
In subsidiaries acquired	—	31	1,542	3,018	317	4,908
Provided for the year	—	11	366	824	257	1,458
Disposals	—	—	(49)	(123)	(285)	(457)
Exchange rate adjustments	—	—	(183)	(311)	(34)	(528)
At end of year	—	42	1,698	3,956	352	6,048
Net book value at 30 April 1987	160	598	2,754	5,493	1,126	10,131
Net book value at 30 April 1986	100	—	80	1,746	285	2,211
Net book value of assets held under finance leases included in above at 30 April 1987	—	95	—	434	884	1,413
Company	£000	£000	£000	£000	£000	£000
Cost at beginning of year	100	—	88	1,927	331	2,446
Additions	—	—	807	715	562	2,084
Disposals	—	—	(15)	(122)	(271)	(408)
At end of year	100	—	880	2,520	622	4,122
Depreciation at beginning of year	—	—	18	460	84	562
Provided for the year	—	—	44	280	74	398
Disposals	—	—	(1)	(74)	(104)	(179)
At end of year	—	—	61	666	54	781
Net book value at 30 April 1987	100	—	819	1,854	568	3,341
Net book value at 30 April 1986	100	—	70	1,467	247	1,884
Net book value of assets held under finance leases included in above at 30 April 1987	—	—	—	391	419	810
Capital commitments		Group		Company		
		1987	1986	1987	1986	
		£000	£000	£000	£000	
Contracted but not provided		64	197	—	197	
Authorised but not contracted for		1,431	623	—	623	

13 FIXED ASSET INVESTMENTS

	Related companies			Other investments	Total investments
	Share of tangible net assets	Premium	Total investments		
Group	£000	£000	£000	£000	£000
At beginning of year	94	—	94	—	94
Additions	215	88	303	158	461
Profit retained in related companies	178	—	178	—	178
Goodwill arising on acquisitions by related companies	(395)	395	—	—	—
At end of year	<u>92</u>	<u>483</u>	<u>575</u>	<u>158</u>	<u>733</u>
	Cost of shares in subsidiary companies		Cost of shares in related companies	Other unlisted investments	Total investments
Company	£000		£000	£000	£000
At beginning of year	378		15	—	393
Additions	55,615		303	144	56,062
At end of year	<u>55,993</u>		<u>318</u>	<u>144</u>	<u>56,455</u>
Principal subsidiaries		Country of incorporation and operation	Class of share	Percentage equity held	Nature of business
WCRS Mathews Marcantonio Ltd		England	Ordinary	100%	Advertising agents
Biss Lancaster plc		England	Ordinary	100%	Public relations consultants
Lay & Partners Ltd		England	Ordinary	63%	Public relations consultants
The Saunders Design Company Ltd		England	Ordinary	100%	Design consultants
Siebert/Ilead Ltd		England	Ordinary	100%	Design consultants
WCRS Direct Ltd		England	Ordinary	85%	Direct response
Alan Pascoe Associates Ltd		England	Ordinary	100%	Sponsorship
FCO Ltd		England	Ordinary	100%	Advertising agents
HBM/Creamer, Inc.		USA	Ordinary	100%	Advertising agents
Della Femina, Travisano & Partners, Inc.		USA	Ordinary	100%	Advertising agents
Creamer Dickson Basford, Inc.		USA	Ordinary	100%	Public relations consultants
Heller Breene, Inc.		USA	Ordinary	100%	Design consultants
Related companies					
Parkway Group plc		England	Ordinary	25%	Production studio
Goodall Alexander O'Hare & Co. Ltd		England	Ordinary	49%	Strategic consultants

14 DEBTORS

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Trade debtors	45,621	10,025	8,169	9,068
Amounts due from group companies	—	—	2,352	8
Amounts due from related companies	313	—	313	—
Other debtors	1,520	429	209	428
Prepayments and accrued income	4,279	639	560	595
	<u>51,733</u>	<u>11,093</u>	<u>11,603</u>	<u>10,099</u>

Included within other debtors of the Group and of the Company at the beginning of the year was an amount of £24,000 advanced to Peter Scott against expenses to be recovered. This amount was recovered in full against expenses during the year and the highest amount outstanding at any time was £24,000.

Included within other debtors of the Group are amounts of £32,000 and £14,000 advanced by subsidiaries to Jerry Della Femina and Donald Creamer respectively against expenses to be recovered. The balances at the start of the year were £nil and the highest amounts outstanding at any time were £32,000 and £14,000.

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

Included in amounts due from group companies are loans totalling £275,000 due for payment after more than one year.

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

15 CURRENT ASSET INVESTMENTS

Group	1987 £000	1986 £000
Unlisted investments	8	—

16 CREDITORS

Amounts falling due within one year	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Bank loans and overdrafts	601	—	601	—
Trade creditors	48,762	8,615	10,015	8,300
Finance leases and hire-purchase contracts	782	—	582	—
Amounts due to group companies	—	—	914	499
Amounts due to related companies	28	—	—	—
Creditors for taxation and social security	1,716	1,131	793	980
Corporation tax	2,300	1,270	952	1,022
Dividends payable	987	227	987	227
Other creditors	3,518	559	2,214	547
Accruals and deferred income	4,712	504	567	72
	<u>63,406</u>	<u>12,306</u>	<u>17,625</u>	<u>11,647</u>

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

17 CREDITORS

Amounts falling due after more than one year	Group		Company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Bank loans and overdrafts	3,758	-	3,758	-
Obligations under finance leases and hire-purchase contracts	2,053	179	1,621	179
Other creditors	4,157	--	102	--
Accruals and deferred income	528	--	-	--
	10,496	179	5,481	179

Bank loans and overdrafts are repayable between one and two years from the balance sheet date and are secured by guarantees on the assets of certain subsidiaries.

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 £1,114,000 (1986 - nil) repayable in equal annual instalments from 1993 to 1997.

18 PROVISIONS FOR LIABILITIES AND CHARGES: DEFERRED TAXATION

	Group		Company	
	£'000	£'000	£'000	£'000
At beginning of year	307	237		
In subsidiaries acquired	406	-		
Additions	352	40		
Utilised	(627)	(209)		
At end of year	438	68		
Analysis of deferred taxation				
	T	Group	E	Company
	Amount	Amount	Amount	Amount
	provided	unprovided	provided	unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	710	-	340	-
Advance corporation tax	(272)	-	(272)	-
	438	-	68	-

19 CALLED-UP SHARE CAPITAL

	1987	1986
Authorised:	£000	£000
28,000,000 (1986 - 12,000,000) Ordinary shares of 10p each	2,800	1,200
19,000,000 (1986 - nil) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	1,900	—
	4,700	1,200
Allotted, called-up and fully paid:		
16,733,000 (1986 - 7,587,818) Ordinary shares of 10p each	1,673	759
18,446,360 (1986 - nil) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	1,845	—
	3,518	759

Movements during year

On 8 July 1986 426,094 Ordinary shares of 10p each were issued as initial consideration of £1.5 million for the acquisition of PCO Limited.

On 18 July 1986 the authorised share capital was increased from £1,200,000 to £3,600,000 by the creation of 11,000,000 Ordinary shares of 10p each and 13,000,000 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each. On the same date, 5,058,544 Ordinary shares and 12,646,360 Convertible Preference shares were allotted to shareholders in the proportion of 2 Ordinary shares and 5 Convertible Preference shares for every 3 Ordinary shares previously held, and 1,209,365 Ordinary shares were issued as initial consideration for the purchase of HBM/Creamer, Inc. The total consideration for the issues of shares was £32.9 million.

On 28 August 1986 65,934 Ordinary shares of 10p each were issued at a price of 45.5p per share as initial consideration for the acquisition of The Saunders Design Company Limited.

On 22 September 1986 the authorised share capital was increased to £4,700,000 by the creation of 5,000,000 Ordinary shares of 10p each and 6,000,000 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each. On the same date, 1,562,250 Ordinary shares and 5,800,000 Convertible Preference shares were issued as initial consideration for the purchase of Della Femina, Travisano & Partners, Inc. and 450,000 Ordinary shares were issued in order to provide additional working capital. The total consideration for the issues of shares was £15.4 million.

On 19 December 1986 134,610 Ordinary shares of 10p each were issued at a price of 52op per share as initial consideration for the purchase of Alan Pascoe Associates Limited.

On 12 January 1987 124,952 Ordinary shares of 10p each were issued at a price of 52op per share as initial consideration for the purchase of Siebert/I lead Limited.

On 4 February 1987 113,433 Ordinary shares of 10p each were issued at a price of 383p per share as a deferred payment for the acquisition of Biss Lancaster plc which took place in February 1985.

Under the executive share option scheme there are 1,426,500 Ordinary shares over which participants have the right to exercise options at prices ranging from 147.5p to 540p (73.75p to 270p after the subdivision of Ordinary shares - see note 1), exercisable between 18 January 1989 and 10 December 1993.

The Convertible Preference shares are convertible into fully paid Ordinary shares in each of the years 1987 to 1998 on the basis of 2.075p in nominal amount of Ordinary shares for every 10p in nominal amount of Convertible Preference shares so converted.

20 RESERVES	Group		Company		
	Share premium account	Goodwill reserve	Profit & loss account	Share premium account	Merger reserve
	£000	£000	£000	£000	£000
Balance at 1 May 1986	—	—	2,144	—	—
Premium on Ordinary shares issued, less expenses	1,405	—	—	1,405	—
Goodwill arising in the year written off	—	(61,832)	—	—	—
Merger reserve arising on acquisition of subsidiaries	—	51,024	—	—	51,024
Exchange translation differences	—	—	(519)	—	(3,840)
Retained profit for the year	—	—	4,338	—	2,108
	1,405	(10,808)	5,963	1,405	47,184
					3,870

Goodwill arising in the year is attributable mainly to the acquisitions of IBM/Creamer, Inc. and Della Femina, Travisano & Partners, Inc., and includes costs (net of tax relief) of £1,200,000 incurred in merging the New York offices of these companies.

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

21 CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT PROVIDED

Additional capital payments may be made to the vendors of acquired companies in the years to 1991. 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 payments that may be due are as follows:

	£000
Within one year	8,309
From two to five years	34,020
	42,329

At the Group's discretion, up to £38,614,000 of the contingent payments may be discharged in the form of Ordinary shares.

At 30 April 1987 there were the following commitments in respect of non-cancellable operating leases for the following year:

	Group		Company	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases that expire:				
Within one year	1,934	22	—	—
From two to five years	4,590	69	—	—
Over five years	5,281	5	810	—
	11,805	96	810	—

22 CURRENT COST ACCOUNTS

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

Financial calendar

Year ended 30 April	1980	1981	1982	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3,974	7,175	12,085	18,771	26,621	36,267	56,108	358,599
Profit before tax	101	136	239	516	955	1,484	2,611	10,108
Tax charge	—	7	37	213	330	706	1,044	4,002
Profit after tax	101	129	202	303	625	778	1,567	6,106
Extraordinary charge	—	—	—	—	350	26	—	—
Retained profit	101	129	202	275	174	552	1,244	4,338
Earnings per Ordinary share (undiluted)*	—	—	—	4.13p	8.52p	10.26p	18.03p	36.17p
Dividends per Ordinary share*	—	—	—	1.21p	1.75p	2.40p	3.63p	6.25p

*Adjusted for bonus and rights issues

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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

JANUARY

Payment of interim dividend

Notice is hereby given that the Annual General Meeting of the Company will be held at 2.30 pm on 26 August 1987 at 172 Drury Lane, London WC2 for the following purposes:

- 1 To receive and adopt the Directors' Report and Financial Statements of the Company for the year ended 30 April 1987 and the Auditors' Report thereon;
- 2 To declare a final dividend;
- 3 To re-elect as a Director of the Company P J Scott who retires by rotation and, being eligible, offers himself for re-election;
- 4 To re-elect as a Director of the Company A D Rutherford who retires by rotation and, being eligible, offers himself for re-election;
- 5 To re-elect as a Director of the Company G M Magan who retires by rotation and, being eligible, offers himself for re-election;
- 6 To re-elect as a Director of the Company S J White who retires by rotation and, being eligible, offers himself for re-election;
- 7 To elect as a Director of the Company A Biss who was appointed since the last Annual General Meeting of the Company and, being eligible, offers herself for election;
- 8 To elect as a Director of the Company R T S Breene who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for election;
- 9 To elect as a Director of the Company E Eskandarian who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for election;
- 10 To elect as a Director of the Company J Della Femina who was appointed since the last Annual General Meeting of the

Company and, being eligible, offers himself for election;

11 To elect as a Director of the Company S M Olswang who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for election;

12 To elect as a Director of the Company A P Pascoe who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for election;

13 To elect as a Director of the Company C R Stern who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for election;

14 To re-appoint Stoy Hayward as Auditors for the Company and to authorise the Directors to fix their remuneration.

By Order of the Board

Mark J Silver, Secretary
41/44 Great Queen Street

London WC2B 5AR

Dated the 31st day of July 1987

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 (PO Box 27, 34 Nettes Row, Edinburgh EH13 6TJ) 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.

NOTICE

MEETING

I We _____ of _____
being a member(s) of the above-named company HEREBY APPOINT the Chairman of the
Meeting or _____ as my/our proxy to vote for me/us
on my/our behalf at the Annual General Meeting of the Company to be held on
26 August 1987 at 2.30 p.m. at 172 Drury Lane, London WC2 and at any adjournment
thereof.

Dated this _____ day of _____ 1987
Signature(s) _____

(Please indicate with a X how you wish your votes cast)

	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		
Ordinary Resolution 13		
Ordinary Resolution 14		

NOTES

- 1 To be effective, the proxy, duly completed, must be returned so as to reach the Company's Registrars not later than 48 hours before the Meeting.
- 2 If the member is a corporation, the proxy should be under its common seal or signed on its behalf by a duly authorised person.
- 3 In the case of joint holders, any one of them may sign. The vote of a senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members.
- 4 In the absence of any specific direction, the proxy will vote or abstain in respect of the member's total holding as he thinks fit.
- 5 If a member wishes to appoint a proxy or proxies other than the Chairman of the Meeting, strike out the Chairman of the Meeting mentioned above and insert the name or names preferred. A proxy need not be a member of the Company.