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Handwritten signatures and initials:
ADL
R. Collins
J. Morgan
J. Morgan

WIGHT COLLINS RUTHERFORD SCOTT (HOLDINGS) P.L.C.

Proposed acquisition of

HBM CREAMER, INC.

and Rights Offer

Handwritten signature: J. Morgan

Handwritten signature: R. Collins

11 JUN 1988

Signed as attorney
for George Morgan Morgan

Small printed text at bottom:
The undersigned, who by signature hereunto is authorized by the
Board of Directors of Wight Collins Rutherford Scott (Holdings) P.L.C. to execute and the
same in connection with the Rights Offer, and to take any and all such actions
as may be required to carry out the same.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in Wight Collins Rutherford Scott (Holdings) P.L.C. please hand this document and the accompanying Form of Proxy to the agent through whom you made the sale for transmission to the purchaser.

A copy of this document, which comprises listing particulars with regard to Wight Collins Rutherford Scott (Holdings) P.L.C. in accordance with The Stock Exchange (Listing) Regulations 1984, has been delivered for registration to the Registrar of Companies as required by those Regulations.

WIGHT COLLINS RUTHERFORD SCOTT (HOLDINGS) P.L.C.

Proposed acquisition of

HBM CREAMER, INC.

and Rights Offer

by Morgan Grenfell & Co. Limited

Notice of an Extraordinary General Meeting to be held at 10.00 a.m. on
4th July, 1986 is set out on page 47.

Forms of Proxy should be received not later than 10.00 a.m. on 2nd July, 1986.

You should retain this document for reference pending receipt of a
renounceable letter of rights.

DEFINITIONS

The following principal definitions are used in this document:—

| | |
|------------------------------------|---|
| "WCRS" or "the Company" | Wight Collins Rutherford Scott (Holdings) P.L.C. |
| "Biss Lancaster" | Biss Lancaster plc |
| "Parkway" | Parkway Studio Limited |
| "the WCRS Group" or "the Group" | WCRS and its subsidiaries and associated company |
| "HBM Creamer" | HBM Creamer, Inc. |
| "CDB" | Creamer Dixon Basford Inc., a wholly owned subsidiary of HBM Creamer |
| "FCO" | FCO Limited |
| "the Vendors" | D. Creamer, H. Strauss, E. Eskandarian, H. Burger, W. Sprague and others |
| "Morgan Grenfell" | Morgan Grenfell & Co. Limited |
| "WCRS (US Holdings)" | WCRS (US Holdings) Inc., a wholly owned subsidiary of Morgan Grenfell |
| "WCRS (US)" | WCRS (US) Inc., the wholly owned subsidiary of WCRS (US Holdings) |
| "the Acquisition" | the proposed acquisition of HBM Creamer by WCRS |
| "the Acquisition Agreement" | the conditional agreement for the acquisition of HBM Creamer by WCRS and WCRS (US) dated 11th June, 1986 |
| "ordinary shares" | ordinary shares of 10p each in WCRS |
| "new ordinary shares" | new ordinary shares to be allotted, credited as fully paid, pursuant to the Acquisition |
| "convertible preference shares" | 55 per cent. convertible cumulative redeemable preference shares 1999 of 10p each in WCRS to be allotted, credited as fully paid, pursuant to the Acquisition |
| "WCRS unit" | a unit comprising 2 new ordinary shares and 5 convertible preference shares |
| "qualifying persons" | the persons whose names are entered on the register of members of WCRS at the close of business on 25th June, 1986 with registered addresses in the United Kingdom or who have by that time supplied to the Company an address in the United Kingdom for the giving of notice (whether or not they remain so registered thereafter) |
| "the Rights Offer" | the offer to be made to qualifying persons by Morgan Grenfell as set out in the letter from Morgan Grenfell on pages 14 to 17 of this document |
| "the Rights Offer Agreement" | the conditional agreement dated 11th June, 1986 between the Company, WCRS (US Holdings), WCRS (US) and Morgan Grenfell relating to the purchase by WCRS of WCRS (US Holdings), the issue of new ordinary shares and convertible preference shares to Morgan Grenfell and the making of the Rights Offer |

CONTENTS

| | |
|---|---------|
| TIMETABLE OF PRINCIPAL EVENTS | Page 4 |
| PART I Chairman's Letter | Page 5 |
| Introduction | |
| Background | |
| Reasons for the Acquisition | |
| Information on HBM Creamer | |
| Acquisition of FCO | |
| Information on WCRS | |
| Change of Name | |
| Acquisition Arrangements and Financing | |
| Rights Offer | |
| Financing for the acquisition of FCO | |
| Extraordinary General Meeting | |
| Recommendation | |
| PART II Rights Offer by Morgan Grenfell | Page 14 |
| PART III Accountants' Report on HBM Creamer | Page 18 |
| PART IV Information on the WCRS Group | Page 25 |
| PART V Interim Statement of the WCRS Group | Page 36 |
| PART VI Profit Estimate of the WCRS Group | Page 37 |
| PART VII Pro Forma Consolidated Statement of Net Tangible Assets | Page 38 |
| PART VIII The Convertible Preference Shares | Page 39 |
| PART IX General Information | Page 40 |
| NOTICE OF EXTRAORDINARY GENERAL MEETING | Page 47 |

TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|------------------------------|
| Record date for the Rights Offer | 25th June, 1986 |
| Latest time for receipt of Forms of Proxy | 10.00 a.m. 2nd July, 1986 |
| Extraordinary General Meeting | 10.00 a.m. 4th July, 1986 |
| Expected date of completion of the Acquisition | 7th July, 1986 |
| Date of despatch of nil paid renounceable letters of rights | 7th July, 1986* |
| Dealings in nil paid WCRS units commence | 8th July, 1986* |
| Latest time for splitting, nil paid | 3 p.m. 24th July, 1986* |
| Latest time for acceptance and payment in full | 3 p.m. 28th July, 1986* |
| Latest time for splitting, fully paid | 3 p.m. 10th September, 1986* |
| Latest time for registration of renunciation, fully paid | 3 p.m. 12th September, 1986* |
| Share certificates for new ordinary shares and convertible preference shares despatched | 10th October, 1986* |

* Assumes that completion of the Acquisition takes place on 7th July, 1986.

PART I — CHAIRMAN'S LETTER

**WIGHT COLLINS RUTHERFORD SCOTT
(HOLDINGS) P.L.C.**

(Registered in England No. 1403668)

Registered Office:
41/44 Great Queen Street,
London WC2B 5AR

To the shareholders

11th June, 1986 ✓

Dear Sir or Madam,

**PROPOSED ACQUISITIONS OF HBM CREAMER AND FCO
AND
RIGHTS OFFER TO QUALIFYING PERSONS OF
NEW ORDINARY SHARES AND
CONVERTIBLE PREFERENCE SHARES**

INTRODUCTION

It was announced today that WCRS has conditionally agreed to acquire HBM Creamer, a leading US advertising agency and public relations consultancy.

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

Of the initial purchase consideration, \$5.1 million will be satisfied by the issue to the Vendors of new ordinary shares. A further \$2.4 million will be satisfied either by the issue to the Vendors of new ordinary shares or in cash to be raised by a conditional cash placing of such shares. The balance of \$42.5 million of the purchase consideration (including the deferred consideration of \$7.8 million), which is payable in cash, together with the expenses of the Acquisition, will be satisfied by the issue of a further 5,058,544 new ordinary shares and 12,646,360 convertible preference shares, all of which will be offered to qualifying persons on the basis set out in the letter from Morgan Grenfell which appears on pages 14 to 17.

In view of its size, the Acquisition is conditional, *inter alia*, on the approval of the shareholders of WCRS in general meeting. The purpose of this letter is to give you further information on the proposed acquisition of HBM Creamer and details of the Rights Offer, and to seek your support for the transaction.

This letter also gives details of the proposed acquisition of FCO, a successful UK advertising agency, which was announced on 4th June, 1986. The initial consideration for FCO is £3 million, payable half in cash and half in shares to be retained by the vendors. Further consideration is payable dependent on the profits achieved in each of the years to 30th April, 1987, 1988 and 1989.

Following the suspension of dealings in WCRS ordinary shares on 4th June, 1986, it is expected that dealings will recommence on 12th June, 1986.

BACKGROUND

WCRS has now grown to the point where it ranks amongst the leading communications groups in the UK.

Strong organic growth from the advertising agency and from Biss Lancaster, coupled most recently with the proposed acquisition of a second UK agency, FCO, has given WCRS a strong UK platform from which to expand. Within the next five years, your Directors believe it likely that the Group will have two advertising agencies operating within the UK top 20 by billings, with WCRS being well-positioned within the top 10. Biss Lancaster has already moved into the top 10 in the rapidly expanding public relations market.

Until now, WCRS has been the only agency within the UK top 20 without equity links into the US. The acquisition of HBM Creamer, which has both advertising and public relations interests in New York, Boston and Pittsburgh, provides the Group with such a presence.

REASONS FOR THE ACQUISITION

The marketing services and communications industries, both in the UK and internationally, are undergoing considerable change. This change represents a significant opportunity for WCRS, FCO and Biss Lancaster in the UK and for HBM Creamer in the US.

In the advertising industry there have been a number of major international mergers. A likely consequence of these so-called "mega mergers" appears to be a fall-out of clients. This should provide an opportunity for medium-sized businesses focusing on creativity and client service rather than sheer scale.

At the same time, American advertising is undergoing something of a creative resurgence likened by many commentators to that which occurred on this side of the Atlantic in the late 70s and early 80s. We believe that, as a result, there will be considerable scope for skill transfer between the UK and US businesses. We would expect this skill transfer to improve the client service capabilities of all the businesses in the Group.

Furthermore, with increasing concentration and internationalisation amongst clients, many client businesses are shifting the focal point of their decision making from the national level to a regional or international level. In order to maximise the opportunities for our own businesses, we believe that we must be able to mirror the management approach and decision making processes of our clients in our approach to client service. It is our belief, therefore, that both the Group and the operating companies will miss substantial international growth opportunities unless they have created a significant and competitive presence in the world's largest communications markets.

We do not, however, believe that globalisation of brands necessarily leads to the globalisation of advertising or public relations solutions. Our goal is to develop a business providing outstanding service to our clients, both nationally and internationally.

Finally, HBM Creamer is at a point in its development where it can benefit from the business philosophy of WCRS and from the higher profile achievable through an association with WCRS.

In summary, we believe that the recent growth of HBM Creamer -- and of the Group -- can be accelerated as a result of the opportunities to serve clients on an international basis, the opportunities for skill transfer and the resources that can now be brought to bear to raise the profile of HBM Creamer in the US advertising and public relations industries.

INFORMATION ON HBM CREAMER

HBM Creamer was formed as the result of the merger in 1984 between Humphrey Browning MacDougall Inc. ("HBM"), a Boston based advertising agency and Creamer, Inc., an advertising agency originally based in Providence, Rhode Island, which had expanded by acquisition into a number of other cities. HBM Creamer is now based in New York and has fully staffed offices in Boston, Pittsburgh and Chicago. Its public relations subsidiary, CDB, which operates independently, has offices in the same cities. There are smaller offices in Hartford, Providence and Washington, D.C.

The merger successfully brought together the creative flair and expansionist philosophy of HBM with the well controlled organisation and long established client base of Creamer to create a company which is soundly based and has significant scope for further expansion.

According to the Agency Report Card -- an annual assessment by Adweek grading the management performance and the business results of leading US agencies -- in 1985, HBM Creamer was rated on a par with such agencies as Ted Bates and McCann Erickson and ahead of such agencies as Foote Cone & Belding and Backer & Spielvogel. The same Agency Report Card says about the creative work of HBM Creamer: "The humor is fresh and the ideas are original."

HBM Creamer employs approximately 770 people of whom some 115 are in the public relations subsidiary, CDB. Its gross billings have grown from \$290 million in 1984, the year after the merger, to \$310 million in 1985 and, on the basis of budgets planned with existing clients, are expected to increase to over \$380 million in 1986. It currently ranks in the 25 largest advertising agencies in the US whilst CDB ranks as the 15th largest public relations consultancy in the US.

HBM Creamer has a well-balanced and extensive client list of long standing, including Nestlé, Sheraton Hotels, Bank of Boston, Raytheon and American Brands, and in the last month has added Digital Equipment Corporation. CDB shares certain clients with its parent, such as Nestlé and American Brands, but has its own extensive client list including Procter & Gamble and Norton.

HBM Creamer's consolidated pre-tax profits have grown from \$3.9 million in 1984 to \$5.7 million in 1985 and the increase in billings expected for 1986 provides the basis for further significant growth. This growth has been mainly due to increasing business from both existing and new clients, in part resulting from acquisitions in Chicago and Boston, together with strict cost control and economies following the merger. To the extent that adjusted consolidated pre-tax profits for the year ending 31st December, 1986 fall short of \$8.6 million, the purchase price of \$50 million will be reduced, as described below. Included in the pre-tax profits to 31st December, 1986 will be approximately \$250,000 of interest income earned on cash balances which are being paid out pursuant to the redemption of shares prior to completion.

At 31st December, 1985, HBM Creamer had net tangible assets of \$16.3 million which will be reduced to \$4.8 million following the redemption of shares prior to completion at a net cost of \$11.5 million.

Donald Creamer, Harold Strauss and Edward Eskandarian are the three principal vendor shareholders in HBM Creamer. They have been mainly responsible for the management of the company since the merger in January 1984 and will continue to fulfil this role after completion of the Acquisition. In addition, key staff in the various offices of HBM Creamer will be offered service contracts to assure their continued loyalty and incentivisation.

Further financial information on HBM Creamer is contained in the Accountants' Report in Part III.

ACQUISITION OF FCO

On 4th June, 1986, WCRS announced that it had signed an agreement to acquire the whole of the issued share capital of FCO, a successful consumer advertising agency based in London.

FCO in its current form was the result of a management buy-out from the French agency Univas in 1983. Since that time, the agency has enjoyed a period of growth and is well positioned to continue this trend in the coming years. It has billings of approximately £20 million and its key clients include Panasonic, Guinness, COI, Booker, Raleigh and P&O.

FCO has established a reputation for producing inspired, visible and highly effective creative solutions as evidenced by the fact that FCO has received over 30 national and international advertising awards within the last three years.

The strategic merit of a second agency has been well proven over time by large UK and US agency groups. Saatchi, Interpublic and the Ogilvy Group have all demonstrated that, by developing different but complementary advertising agency brands in the marketplace, overall rates of growth can accelerate. Furthermore, as the original agency continues to increase its market share, it is inevitable that conflicts – both direct and indirect – will debar it from taking business within certain sectors. Although not the primary reason for the acquisition, your Directors believe that the development of a second consumer agency within the Group will make it easier for the Group to extend its interests where fringe overlaps or conflicts may otherwise have blocked off new client development areas.

At 30th April, 1985, FCO had net assets of £63,000 and the Directors of FCO have warranted that at 30th April, 1986, net assets were not less than £230,000; the increase is due to profits after tax for the year ended on that date.

INFORMATION ON WCRS

Over the past year, the Group's main operating companies have enjoyed spectacular organic growth. Your Directors believe that the consumer agency is now within the top 15 advertising agencies in the UK, whilst the public relations consultancy, Biss Lancaster, is ranked amongst the top 10 public relations consultancies in the UK.

The growth in billings of the consumer agency has come from increased business both from existing clients, including Thomson Holidays, Bass and 3M, and from new clients such as ICI Paints, Prudential Corporation, Canon and the Manpower Services Commission. This confirms that the agency continues to seek new business energetically and with a high rate of success.

Biss Lancaster has enjoyed dramatic growth since joining the Group in 1985 and, in addition to gaining many new clients independently of the consumer agency, such as Guinness and Boots, has demonstrated the benefits of working closely with the consumer agency both in servicing existing clients and in obtaining new accounts for both companies. Joint clients now include Woolworths, Bells, Qualcast and the Manpower Services Commission.

Your Directors estimate that, on the basis set out in Part VI, the consolidated profit before tax of WCRS for the year ended 30th April, 1986 was not less than £2.6 million (including £0.3 million of property profits which the Directors expect to recur) and earnings per share were not less than 20.5p. Your Directors intend to recommend a final dividend per share of 3.00p (net), making total dividends per share for the year of 4.25p (net) (1985: 2.75p).

Your Directors are confident that the Group will continue to grow and believe that the current rate of success in developing new business demonstrates the continuing vitality of the consumer agency and of Biss Lancaster which will enable the Group to remain amongst the most successful businesses in the sector. Confirmation of the consumer agency's new business potential was provided by a recent research study which placed it equal first as the agency most likely to be considered by clients when moving their account. The acquisitions of HBM Creamer and FCO will enhance the ability of the Group to maintain its pre-eminence.

CHANGE OF NAME

To reflect the wider spread of the Group's activities following the acquisition of Biss Lancaster in 1985 and the proposed acquisitions of HBM Creamer and FCO, your Directors consider that it is appropriate that WCRS should change its name to "The WCRS Group plc". Accordingly, a resolution to this effect is being proposed at the Extraordinary General Meeting. At the same time, the Group's main advertising agency will change its name to "Wight Collins Rutherford Scott & Partners Limited".

After the new name has been approved and registered, any new share certificates issued on changes of ownership will be in the name of The WCRS Group plc. Existing share certificates will, however, remain valid.

ACQUISITION ARRANGEMENTS AND FINANCING

Under the Acquisition Agreement and the Rights Offer Agreement, WCRS has agreed to acquire the whole of the issued share capital of HBM Creamer. Both agreements are subject, inter alia, to the passing of resolutions 1, 2, 4 and 5 at the Extraordinary General Meeting of WCRS to be held on 4th July, 1986 and to the admission to the Official List by the Council of The Stock Exchange of the new ordinary shares, the convertible preference shares and the WCRS units.

The maximum consideration to be paid by WCRS for the acquisition of HBM Creamer is \$50 million, of which \$42.2 million is payable on completion and the balance of \$7.8 million will be deferred. Prior to

completion, HBM Creamer will redeem some of its shares for the net sum of \$11.5 million, being funds which are surplus to its working capital requirements, of which \$9.3 million will be payable immediately and \$2.2 million will be deferred. The two deferred sums, totalling \$10 million, are payable, together with interest thereon, after the audit of the accounts of HBM Creamer for the year ending 31st December, 1986. If the adjusted consolidated profits before tax, as shown by these accounts, are less than \$8.6 million, a sum equal to 6.67 times the amount of the shortfall will be deducted from the deferred payments.

WCRS will purchase 15 per cent. of the issued share capital of HBM Creamer direct from the Vendors for \$7.5 million, of which \$5.1 million will be satisfied by the issue to the Vendors of 827,201 new ordinary shares, the number of shares being based on the middle market quotation for WCRS shares of 408p, as derived from The Stock Exchange Daily Official List, and the exchange rate of £1=\$1.52 at the date agreement in principle was reached. The balance of \$2.4 million will be satisfied either by the issue to the Vendors of a further 382,164 new ordinary shares or in cash in the event that relevant US securities laws are not complied with prior to completion or that certain of the Vendors decide they wish to receive cash instead of shares. This cash will be raised by a conditional cash placing of those shares at a price of 408p per share by Morgan Grenfell with UK institutional investors. The shares to be issued to the Vendors or to be placed will not rank for the final dividend in respect of the year ended 30th April, 1986 and will not entitle their holders to participate in the Rights Offer.

The Vendors have undertaken not to dispose of any of these new ordinary shares for a minimum period of one year from completion of the Acquisition. In addition, the principal Vendors will become parties to the current agreement between major individual shareholders in WCRS which places certain controls on the disposal in any one year of shares amounting to more than 1 per cent. of the Company's issued share capital.

The other 85 per cent. of HBM Creamer's issued share capital will be purchased for a cash consideration of \$42.5 million (including the deferred consideration of \$7.8 million) by WCRS (US), the wholly owned subsidiary of WCRS (US Holdings), itself a wholly owned subsidiary of Morgan Grenfell and formed for the purpose of making the Acquisition. WCRS (US Holdings) will initially be funded by share and loan capital of \$48.1 million, out of which the expenses of the Acquisition, as well as the cash consideration, will be paid. On completion, WCRS will acquire the share and loan capital of WCRS (US Holdings) from Morgan Grenfell for \$48.1 million, to be satisfied by the issue to Morgan Grenfell of 5,058,544 new ordinary shares and 12,646,360 convertible preference shares in WCRS. Morgan Grenfell has agreed to offer to qualifying persons all these new ordinary shares and convertible preference shares in the form of WCRS units.

On completion of the Acquisition, Donald Creamer, Harold Strauss and Edward Eskandarian will enter into new service agreements with HBM Creamer, which are summarised on page 41; copies of these agreements are available for inspection as described on page 46. They will also be appointed to the Board of WCRS. To enable these appointments to be made, the Articles of Association of WCRS must be amended to increase the permitted number of Directors and your approval of this amendment is being sought at the Extraordinary General Meeting.

RIGHTS OFFER

Qualifying persons are being given the opportunity to acquire all the new ordinary shares, other than those to be retained by the Vendors or to be conditionally placed for cash, and all the convertible preference shares. Accordingly, Morgan Grenfell has conditionally agreed to offer to qualifying persons all the 5,058,544 new ordinary shares and all the 12,646,360 convertible preference shares to be issued to it as consideration for the sale to WCRS or WCRS (US Holdings). Brokers to the offer are James Capel & Co.

The new ordinary shares and the convertible preference shares will be offered to qualifying persons in the form of WCRS units at a price of £12.70 per unit, each unit comprising 2 new ordinary shares and 5 convertible preference shares, on the following basis:-

For every 3 existing ordinary shares

1 WCRS unit

and so in proportion for any other number of existing ordinary shares. Fractional entitlements will not be allocated but will be aggregated and, if a premium over the expenses of sale can be obtained, sold in the market not later than the second business day following the posting of renounceable letters of rights for the benefit of the persons entitled thereto, except that amounts of less than £2 will not be distributed but will be paid to the Company.

The Rights Offer is equivalent to 2 new ordinary shares at 385p each and 5 convertible preference shares at 100p each for every 3 existing ordinary shares.

The new ordinary shares to be offered to qualifying persons will rank *pari passu* with the ordinary shares currently in issue, except for the right to receive the final dividend for the year ended 30th April, 1986. A summary of the rights attaching to the convertible preference shares is set out in Part VIII. Full conversion of the convertible preference shares would give rise to the issue of 2,624,119 ordinary shares, representing approximately 15.6 per cent. of WCRS's enlarged ordinary share capital.

Application will be made to the Council of The Stock Exchange for the new ordinary shares, the convertible preference shares and the WCRS units to be admitted to the Official List.

Subject to the Acquisition being completed, renounceable letters of rights will be posted to qualifying persons on 7th July, 1986. Dealings, nil paid, in the WCRS units comprised in the letters of rights and in the new ordinary shares and the convertible preference shares in the form of fully paid renounceable letters of acceptance are expected to commence on 8th July, 1986.

Due to the restrictions on making offers of shares in certain jurisdictions, the Rights Offer is not being made to holders of ordinary shares with registered addresses outside the United Kingdom. However, the allocations to which such shareholders would have been entitled will be aggregated and, if a premium over the expenses of sale can be obtained, sold in the market not later than the second business day following the posting of renounceable letters of rights to qualifying persons, except that amounts of less than £2 will not be distributed but will be paid to the Company.

Full details of the Rights Offer are set out in the letter from Morgan Grenfell on pages 14 to 17.

FINANCING FOR THE ACQUISITION OF FCO

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

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

The maximum consideration payable is £6,750,000 plus 2½ per cent. of the amount by which the pre-tax profits for the year to 30th April, 1989 exceed £800,000.

WCRS has the option to satisfy up to 50 per cent. of the additional consideration by the issue of ordinary shares with the balance payable in cash.

The ordinary shares to be issued to the vendors of FCO at completion will not rank for the final dividend for the year ended 30th April, 1986 and will not entitle their holders to participate in the Rights Offer.

Completion of the acquisition is conditional on the passing at the Extraordinary General Meeting of the resolution to authorise the Directors to allot the relevant shares. Completion is expected to take place on 8th July, 1986.

EXTRAORDINARY GENERAL MEETING

You will find set out on pages 47 to 53 a Notice of an Extraordinary General Meeting of WCRS to be held at 41/44 Great Queen Street, London WC2B 5AR at 10.00 a.m. on 4th July, 1986. At this meeting resolutions will be proposed:—

- (1) to approve the acquisition of HBM Creamer;
- (2) (a) to increase the authorised share capital of WCRS and
(b) to authorise the Directors unconditionally (for the purposes of section 80 of the Companies Act 1985) to allot any of the authorised but unissued share capital of the Company within newly defined limits;
- (3) to increase the total number of shares which may be issued under the Company's Executive Share Option Scheme, to reflect the increase in the Company's issued ordinary share capital as a result of the Acquisition and the acquisition of FCO;
- (4) to amend the Articles of Association of the Company:—
 - (a) to include the rights attaching to the convertible preference shares and
 - (b) to increase the maximum number of Directors of the Company from 10 to 15;
- (5) to disapply the provisions of section 89(1) of the Companies Act 1985 in relation to any rights issues, the conditional cash placing referred to above and small issues of shares for cash; and
- (6) to change the name of the Company to "The WCRS Group plc".

The resolution to increase WCRS's authorised share capital from £1,200,000 to £3,600,000 by the creation of 11,000,000 new ordinary shares and 13,000,000 convertible preference shares will provide a margin of authorised but unissued ordinary share capital of approximately 23.5 per cent., after taking account of shares reserved against the exercise of options and conversion of the convertible preference shares. No material issue of shares will be made within one year without the prior approval of shareholders in general meeting.

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. You are asked to complete and return it to WCRS's registrars, The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 27, 34 Fettes Row, Edinburgh EH3 0EU so as to reach them not later than 10.00 a.m. on Wednesday, 2nd July, 1986. The return of the Form of Proxy will not preclude you from attending and voting at the meeting should you so wish.

RECOMMENDATION

Your Directors, who have been advised by Morgan Grenfell, believe that the proposed acquisitions of HBM Creamer and of FCO are in the best interests of WCRS and its shareholders. They also believe that the change in the name of the Company, the increase in the total number of share options which may be issued and the increase in the maximum number of Directors permitted by the Articles of Association are in the best interests of WCRS and its shareholders. Accordingly, they strongly recommend shareholders to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to above, as they have undertaken to do in respect of the 3,990,129 ordinary shares owned or controlled by themselves (representing 52.6 per cent. of the issued share capital of WCRS).

Those Directors who are also major shareholders, owning or controlling in aggregate 3,803,710 existing ordinary shares, representing 50.1 per cent. of the issued share capital, intend, in the event that a premium can be obtained for the sale of the nil paid WCRS units, to sell sufficient of the WCRS units which will be provisionally allocated to them to enable them to purchase the balance to which they are entitled.

Yours faithfully,

Robin Wight
Chairman

PART II - RIGHTS OFFER BY MORGAN GRENFELL

Morgan Grenfell & Co. Limited

(Registered in England No. 315841)

Registered office:
23 Great Winchester Street,
London EC2P 2AX

To WCRS shareholders

11th June, 1986

Dear Sir or Madam,

Your attention is drawn to the letter from Mr. Robin Wight, the Chairman of WCRS, which appears on pages 5 to 13 and contains information on the proposed acquisition of HBM Creamer.

Under the Acquisition Agreement, WCRS (US), a wholly owned subsidiary of WCRS (US Holdings), itself a wholly owned subsidiary of Morgan Grenfell, has conditionally agreed to acquire from the Vendors 85 per cent. of the issued share capital of HBM Creamer.

Under the Rights Offer Agreement, WCRS has conditionally agreed to acquire WCRS (US Holdings) from Morgan Grenfell for \$48.1 million, the amount of the share and loan capital in WCRS (US Holdings) subscribed by Morgan Grenfell. The consideration for the acquisition of WCRS (US Holdings) is the allotment to Morgan Grenfell of 5,058,544 new ordinary shares and 12,646,360 convertible preference shares. To provide qualifying persons with an opportunity to purchase these new shares, Morgan Grenfell has agreed to offer them in the form of WCRS units to qualifying persons at £12.70 per unit, on the basis set out below. Each WCRS unit comprises 2 new ordinary shares and 5 convertible preference shares.

RIGHTS OFFER

Morgan Grenfell, as principal, hereby offers to qualifying persons, on the terms and subject to the conditions set out or referred to below, WCRS units at £12.70 per unit, free of all expenses (including stamp duty), on the following basis:-

| | |
|--------------------------------------|-------------|
| For every 3 existing ordinary shares | 1 WCRS unit |
|--------------------------------------|-------------|

and so in proportion for any other number of existing ordinary shares. Fractional entitlements will not be allocated but will be aggregated and, if a premium over the expenses of sale can be obtained, sold in the market not later than the second business day following the posting of renounceable letters of rights for the benefit of the persons entitled thereto, except that amounts of less than £2 will not be distributed but will be paid to the Company.

The Rights Offer is equivalent to 2 new ordinary shares at 385p each and 5 convertible preference shares at 100p each for every 3 existing ordinary shares.

The offer price per new ordinary share compares with the middle market quotation of 468p per ordinary share, being the price at which the listing of the ordinary shares was suspended on 4th June, 1986, as derived from The Stock Exchange Daily Official List.

The new ordinary shares to be offered to qualifying persons will rank *pari passu* with the ordinary shares currently in issue save that they will not rank for the right to receive the final dividend for the year ended 30th April, 1986. The rights attaching to the convertible preference shares are summarised in Part VIII. The new ordinary shares and the convertible preference shares are being sold by Morgan Grenfell as beneficial owner free from all liens, charges and encumbrances and together with all rights on issue or thereafter attaching thereto.

The Rights Offer is conditional on satisfaction of the conditions to the Rights Offer Agreement by midnight on 18th July, 1986. These conditions include:—

- (i) the passing by the shareholders of the Company of resolutions 1, 2, 4 and 5 set out in the Notice of Extraordinary General Meeting at the end of this document;
- (ii) permission being granted by the Council of The Stock Exchange for the new ordinary shares, the convertible preference shares and the WCRS units to be admitted to the Official List; and
- (iii) the Acquisition Agreement becoming unconditional in all respects and being completed in accordance with its terms.

PROCEDURE FOR ACCEPTANCE AND PAYMENT

Upon the Rights Offer becoming unconditional, renounceable letters of rights, stating the number of WCRS units which have been provisionally allocated, will be posted to each qualifying person. It is expected that all the conditions of the Rights Offer will be satisfied by 7th July, 1986 and that renounceable letters of rights will be posted on the same day. If the Rights Offer fails to become unconditional in all respects by midnight on 18th July, 1986, renounceable letters of rights will not be posted and the Rights Offer will lapse.

Qualifying persons or their renounees who wish to take up their allocation of WCRS units must lodge their renounceable letters of rights, accompanied by a remittance for the full amount payable on acceptance, in accordance with the instructions printed thereon, with Morgan Grenfell & Co. Limited, New Issue Department, 72 London Wall, London EC2M 5NL, not later than 3 p.m. on the date specified therein as the closing date (the "Closing Date"), which is expected to be 28th July, 1986.

Upon receipt of a remittance for the full amount payable, each acceptor will be issued with two fully paid renounceable letters of acceptance, one in respect of his new ordinary shares, the other in respect of his convertible preference shares.

If you wish to accept the Rights Offer in respect of part only of your allocation of WCRS units or to dispose of all or part of your allocation, you should follow the instructions contained in the renounceable letter of rights.

DEALINGS

Dealings will take place in the nil paid renounceable letters of rights in the form of WCRS units. Dealings in the fully paid renounceable letters of acceptance will be in the form of new ordinary shares or convertible preference shares.

On the basis that the renounceable letters of rights are despatched on 7th July, 1986, it is expected that the new ordinary shares, the convertible preference shares and the WCRS units will be admitted to the Official List on 8th July, 1986 and that dealings in the renounceable letters of rights and the renounceable letters of acceptance will begin on that date.

The nil paid letters of rights will be renounceable until 3 p.m. on the Closing Date, which is expected to be 28th July, 1986, and the fully paid letters of acceptance will be renounceable until 3 p.m. on 12th September, 1986. It is expected that definitive share certificates in respect of the new ordinary shares and the convertible preference shares will be despatched by post on 10th October, 1986.

OVERSEAS SHAREHOLDERS

The Rights Offer is not being made to holders of ordinary shares who do not have registered addresses in the United Kingdom and who have not by 25th June, 1986 supplied to the Company an address in the United Kingdom for the giving of notice, since to do so could require compliance with relevant securities laws. Accordingly, renounceable letters of rights will not be sent to such shareholders. However, the provisional allocations to which such shareholders would have been entitled will be aggregated and, if a premium over the expenses of sale can be obtained, will be sold nil paid in the market not later than the second business day following the posting of renounceable letters of rights to qualifying persons. Any net proceeds will be distributed *pro rata* to such overseas shareholders except that no payment will be made of individual amounts of less than £2, which will be paid to the Company.

PROCEDURE IN RESPECT OF RIGHTS NOT TAKEN UP

If payment in full has not been received by 3 p.m. on the Closing Date (whether from the original addressee or any person in whose favour the allocation has been renounced), the allocations of WCRS units contained in such letters will be deemed to have been declined and will lapse. The new ordinary shares and the convertible preference shares comprised in any WCRS units not taken up will be sold in the market not later than two business days after the Closing Date if a premium over the Rights Offer price and expenses of sale can be obtained. Any net proceeds (after deduction of the Rights Offer price and such expenses) will be distributed *pro rata* among the persons entitled thereto, except that no payment will be made of individual amounts of less than £2, which will be paid to the Company. Cheques for the amounts due will be sent at the risk of the persons entitled thereto to their registered addresses.

CAPITAL GAINS TAX

The Rights Offer is not a rights issue. Accordingly, shares purchased by you under the Rights Offer will not be treated for capital gains tax purposes as the same asset as your existing holding. Your capital gains tax position on any disposal of WCRS units, or any rights thereto, or of any of the shares comprised therein, or in respect of your entitlement to receive cash pursuant to any sale of fractional entitlements or WCRS units not taken up will depend upon your individual circumstances.

If you are in any doubt as to your tax position you should consult your professional advisers.

GENERAL

Morgan Grenfell is not responsible for any loss or damage to any person arising from any sales of fractional entitlements, allocations to which overseas shareholders would have been entitled or provisional allocations not taken up by the Closing Date or for any alleged insufficiency of any dealings price at which any of such allocations may be sold by Morgan Grenfell or for the timing of any such sale.

All documents or remittances posted by or to original addressees, renounees or transferees, or as they may direct, will be posted at their risk.

Yours faithfully,
for Morgan Grenfell & Co. Limited

D. W. Wells
Director

PART III - ACCOUNTANTS' REPORT ON HBM CREAMER

The following is the text of a report on HBM Creamer by Stoy Hayward, the reporting accountants and the auditors of WCRS, to the Directors of WCRS and of Morgan Grenfell:-



8 Baker Street, London W1M 1DA

The Directors,
Wight Collins Rutherford Scott (Holdings) P.L.C.

and

The Directors,
Morgan Grenfell & Co. Limited

10th June, 1986

1. INTRODUCTION

Gentlemen,

We have examined the audited financial statements of HBM Creamer, Inc. (the "Company") and its subsidiaries (together referred to as the "Group") for the five years ended 31st December, 1985 ("the relevant accounting years"). The Company and its subsidiaries are incorporated within the USA. The financial statements of the Group were prepared in accordance with generally accepted accounting principles in the USA and with the accounting policies set out below.

The Company was incorporated on 6th March, 1916. The name was changed to HBM Creamer, Inc. following the acquisition of Humphrey Browning MacDougall Inc. ("HBM") on 1st January, 1984. The financial information contained in this report has been prepared on the basis that the Group, as it is now constituted, had been in existence throughout the relevant accounting years. The results of HBM for the three years ended 31st December, 1983 contained therein are shown by way of a note to the profit and loss accounts.

The financial statements of the Group for the relevant accounting years were audited by Arthur Andersen & Company, Certified Public Accountants, in accordance with generally accepted auditing standards in the USA.

The financial information set out below is based on the audited financial statements after making such adjustments as we consider appropriate.

Our work has been carried out in accordance with the Auditing Guidelines Prospectuses and the reporting accountant.

In our opinion the financial information relating to the Group in the following paragraphs gives a true and fair view of the profits and source and application of funds for the relevant accounting years and of the state of affairs of the Group at 31st December, 1985 and at the end of each of the previous four years, on a consistent basis.

2. ACCOUNTING POLICIES

The principal accounting policies used in the preparation of the financial information set out in this report are as follows:-

(a) *Basis of accounting:*

The financial information has been drawn up under the historical cost convention.

(b) *Principles of consolidation:*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

(c) *Recognition of commissions and fees:*

Substantially all revenues are derived from commissions and service fees earned on advertising placed with various media, commissions earned on production costs incurred for clients, and fees for other services. These revenues are recognised as billed. Billings are generally rendered upon placement of the advertisement for media, when costs are incurred for production and other services, or based upon contractual agreements with clients. In accordance with prevailing industry practice, gross billings and capitalised fees are computed by multiplying commissions and fees by 6.67.

(d) *Goodwill:*

The Company's policy is generally to amortise goodwill over forty years.

(e) *Income taxes:*

Deferred income taxes have been provided where differences exist between the time items affect taxable income and income for financial reporting purposes. Deferred taxes relate primarily to deferred compensation, cash basis accounting for tax purposes and accelerated depreciation.

(f) *Depreciation and amortisation of furniture, fixtures and leasehold improvements:*

Depreciation of furniture and fixtures is provided using the straight-line method over the estimated useful lives of the related asset. Amortisation of leasehold improvements is provided on the straight-line method over the terms of the related leases.

3. PROFIT AND LOSS ACCOUNTS

The results of the Group for each of the relevant accounting years were as follows:—

| | | Year ended 31st December, | | | | |
|--|------|---------------------------|---------------|---------------|---------------|---------------|
| | Note | 1981 \$000 | 1982 \$000 | 1983 \$000 | 1984 \$000 | 1985 \$000 |
| GROSS BILLINGS AND CAPITALISED FEES | | 218,483 | 250,988 | 274,794 | 291,814 | 310,459 |
| REVENUES | | | | | | |
| Commissions and fees | (b) | 32,670 | 38,076 | 41,771 | 43,750 | 46,546 |
| Other income, net | (c) | 552 | 587 | 441 | 697 | 859 |
| | | 33,222 | 38,663 | 42,212 | 44,447 | 47,405 |
| OPERATING EXPENSES | | | | | | |
| Compensation and related expenses | | (21,034) | (24,741) | (27,152) | (28,561) | (29,003) |
| Other operating expenses | | (9,851) | (10,957) | (13,717) | (12,004) | (12,664) |
| | | (31,885) | (35,698) | (40,869) | (40,565) | (41,667) |
| INCOME BEFORE TAXATION | (d) | 2,337 | 2,965 | 1,343 | 3,882 | 5,738 |
| PROVISION FOR INCOME TAXES | | | | | | |
| Federal | | (817) | (1,083) | (542) | (1,531) | (2,186) |
| State and local | | (245) | (400) | (267) | (593) | (799) |
| | | (1,062) | (1,483) | (809) | (2,124) | (2,985) |
| NET INCOME | | 1,275 | 1,482 | 534 | 1,758 | 2,753 |
| Dividends | (e) | (43) | (77) | (2) | (2) | (133) |
| | | 1,232 | 1,405 | 532 | 1,756 | 2,620 |

NOTES TO THE PROFIT AND LOSS ACCOUNTS

| | Year ended 31st December, | | |
|---|---------------------------|--------|---------|
| | 1981 | 1982 | 1983 |
| | \$000 | \$000 | \$000 |
| (a) The results of HBM prior to the acquisition were as follows:- | | | |
| Gross billings and capitalised fees | 55,130 | 71,548 | 93,842 |
| Revenues | 8,290 | 11,185 | 14,501 |
| Income/(loss) before taxation | 84 | 286 | (1,224) |
| Net income/(loss) | 74 | 142 | (905) |

The loss before taxation in the year ended 31st December, 1983 includes a charge of \$338,000 arising from a change in HBM's accounting policy for the recognition of revenues.

| (b) Commissions and fees | Year ended 31st December, | | | | |
|---|---------------------------|--------|--------|--------|--------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Commissions and fees, all of which arose in the USA, may be analysed by activity as follows:- | | | | | |
| Advertising related activities | 27,986 | 33,342 | 37,232 | 36,434 | 39,295 |
| Public relations | 4,684 | 4,734 | 4,539 | 7,316 | 7,251 |
| | 32,670 | 38,076 | 41,771 | 43,750 | 46,546 |

| (c) Other income, net | Year ended 31st December, | | | | |
|------------------------|---------------------------|-------|-------|-------|-------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Other operating income | 4 | 71 | 6 | 21 | 317 |
| Interest receivable | 644 | 651 | 632 | 850 | 713 |
| Interest payable | (96) | (135) | (197) | (174) | (171) |
| | 552 | 587 | 441 | 697 | 859 |

| (d) Income before taxation | Year ended 31st December, | | | | |
|----------------------------|---------------------------|-------|-------|-------|-------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |

This is arrived at after charging the following:-

| | | | | | |
|-------------------------------|-----|-----|-------|-------|-------|
| Auditors' remuneration | 104 | 136 | 232 | 122 | 114 |
| Depreciation and amortisation | 613 | 910 | 1,179 | 1,046 | 1,220 |

| (e) Dividends | Year ended 31st December, | | | | |
|-----------------|---------------------------|-------|-------|-------|-------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Preferred stock | 3 | 2 | 2 | 2 | 2 |
| Common stock | 40 | 75 | — | — | 131 |
| | 43 | 77 | 2 | 2 | 133 |

The combined balance sheets as at 31st December, 1981 to 1983 inclusive and the consolidated balance sheets as at 31st December, 1984 and 1985 are set out below:-

| | | As at 31st December, | | | | |
|---|-------|----------------------|----------|----------|----------|----------|
| | | 1981 | 1982 | 1983 | 1984 | 1985 |
| | Notes | \$000 | \$000 | \$000 | \$000 | \$000 |
| Fixed assets | | | | | | |
| Intangible assets | (a) | 371 | 375 | 335 | 2,227 | 2,160 |
| Tangible assets | (b) | 4,114 | 4,986 | 5,530 | 5,985 | 6,668 |
| Investments | | 45 | 45 | 46 | — | — |
| | | 4,530 | 5,406 | 5,911 | 8,212 | 8,828 |
| Assets relating to deferred compensation | (c) | 2,183 | 2,408 | 2,972 | 4,089 | 4,966 |
| Current assets | | | | | | |
| Debtors | (d) | 20,584 | 23,732 | 28,276 | 27,216 | 34,245 |
| Unbilled production costs | | 2,547 | 4,372 | 2,875 | 1,828 | 1,560 |
| Other assets | | 627 | 802 | 879 | 819 | 1,093 |
| Cash at bank and in hand | | 7,717 | 9,040 | 5,957 | 7,756 | 4,424 |
| | | 31,471 | 37,946 | 37,987 | 37,619 | 41,322 |
| Creditors: amounts falling due within one year | (e) | (25,539) | (33,870) | (34,028) | (33,479) | (34,226) |
| Net current assets | | 5,932 | 4,076 | 3,959 | 4,140 | 7,096 |
| Total assets less current liabilities | | 12,645 | 11,890 | 12,842 | 16,441 | 20,850 |
| Creditors: amounts falling due after more than one year | (f) | (1,726) | (2,163) | (2,504) | (2,537) | (3,353) |
| Deferred taxation | (g) | (36) | (128) | (252) | (428) | (567) |
| | | 10,883 | 9,599 | 10,086 | 13,476 | 16,870 |
| Capital and reserves | | | | | | |
| Called up share capital and share premium | (h) | 2,950 | 2,835 | 3,559 | 6,847 | 7,550 |
| Profit and loss account | | 7,933 | 7,789 | 8,037 | 8,722 | 10,937 |
| Shareholders' funds | | 10,883 | 10,624 | 11,596 | 15,569 | 18,487 |
| less: Shares held in treasury | | — | (775) | (930) | — | — |
| Receivable on stock sales | | — | (250) | (580) | (2,093) | (1,617) |
| | | 10,883 | 9,599 | 10,086 | 13,476 | 16,870 |

NOTES TO THE CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1985.

| | | | | |
|---------------------------------------|---|--------------------------|----------------|--|
| (a) Intangible assets | | | | |
| Intangible assets consist of | goodwill at cost less accumulated depreciation. | | | |
| (b) Tangible assets | | | | |
| | Cost | Accumulated depreciation | Net book value | |
| | \$000 | \$000 | \$000 | |
| Leasehold properties and improvements | 3,939 | (1,523) | 2,416 | |
| Office furniture and equipment | 6,771 | (2,677) | 4,094 | |
| Motor vehicles | 329 | (171) | 158 | |
| | 11,039 | (4,371) | 6,668 | |

| | | |
|---|------------|--------|
| (c) Assets relating to deferred compensation (see Note (5)) | \$000 | |
| Investments at cost | 3,318 | |
| Deferred tax benefits | 1,648 | |
| | 4,966 | |
| (d) Debtors | \$000 | |
| Trade debtors | 31,213 | |
| Sundry debtors and prepayments | 478 | |
| Employee receivables | 2,364 | |
| Cash surrender values of officers' life insurance | 190 | |
| | 34,245 | |
| (e) Creditors: amounts falling due within one year | \$000 | |
| Trade creditors | 26,589 | |
| Other creditors | 3,856 | |
| Accrued income taxes | 1,917 | |
| Deferred income taxes | 1,864 | |
| | 34,226 | |
| (f) Creditors: amounts falling due after more than one year | \$000 | |
| Liability relating to deferred compensation plan | 3,318 | |
| Capitalised lease obligations | 35 | |
| | 3,353 | |
| The Company operates a deferred compensation plan under which certain emoluments are paid to employees on retirement or release from employment. The relevant amounts are invested by the Company until paid. | | |
| (g) Deferred taxation | | |
| The total potential liability to deferred taxation has been fully provided. | | |
| (h) Share capital and share premium | | |
| | Authorised | Issued |
| | \$000 | \$000 |
| Common stock | | |
| Class A \$1 par value | 400 | 229 |
| Class B \$1 par value | 200 | 163 |
| Class C \$1 par value | 300 | 140 |
| Preferred stock | | |
| 4 per cent. cumulative, \$1.50 par value | 300 | 88 |
| | 1,200 | 620 |
| Share premium | | 6,930 |
| | | 7,550 |
| (i) Commitments and contingent liabilities | | |
| At 31st December, 1985, the Company was contingently liable as a guarantor of stockholders' bank loans of \$2,616,870 plus accrued interest. The loans were incurred by certain stockholders to purchase common stock of the Company. The related shares are pledged as collateral for these loans. | | |
| Under an agreement with an employee, the Company is obligated to make payments of \$50,000 each year from 1987 through 1997 or on the death of the employee, whichever occurs last. | | |
| Effective in January, 1983, the Company entered into agreements with two officers which provide for employment and consultation services under various terms through 1996. At 31st December, 1985, the Company was obligated to make total payments of approximately \$1,666,086 under these agreements, including in the event of the death or disability of the officers. The cost of the payments is being charged to operations as the services are rendered. | | |

7. STATEMENT OF SOURCE AND APPLICATION OF FUNDS

The consolidated statements of source and application of funds for the relevant accounting years are set out below:-

| | Year ended 31st December | | | | |
|--|--------------------------|---------|---------|---------|---------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Source of funds:- | | | | | |
| Operations:- | | | | | |
| Net income | 1,275 | 1,000 | 534 | 1,758 | 2,753 |
| Depreciation and amortisation | 633 | 910 | 1,179 | 1,046 | 1,720 |
| Net deferred income taxes | 119 | (24) | (150) | (108) | 183 |
| Working capital from operations | 1,797 | 2,368 | 1,563 | 2,416 | 4,156 |
| Proceeds of issue of common stock | 843 | 272 | 931 | 1,218 | 1,224 |
| Decrease (increase) in cash, surrender value of office life insurance, net | (91) | (15) | (33) | (29) | 28 |
| Notes due from stockholders | — | 523 | (330) | (1,513) | 476 |
| Compensation element of non-qualified stock options and tax benefits from their exercise | 71 | — | — | — | — |
| | 2,562 | 3,148 | 1,131 | 5,092 | 5,954 |
| Application of funds:- | | | | | |
| Net increase in furniture, fixtures and leasehold improvements | (1,954) | (1,345) | (1,698) | (1,434) | (1,836) |
| Excess of purchase price over net assets acquired (Note) | (186) | — | — | (1,969) | — |
| Repurchase of common stock | (29) | (2,733) | (654) | (1,071) | (995) |
| Dividends | (43) | (77) | (2) | (2) | (133) |
| Other | (254) | (23) | 75 | (401) | (280) |
| Assets of acquired business | — | (755) | — | — | — |
| | (2,466) | (4,933) | (2,279) | (4,880) | (3,244) |
| Increase/(decrease) in working capital | 96 | (1,785) | (148) | 212 | 2,710 |
| Increase/(decrease) in working capital comprises:- | | | | | |
| Cash and cash equivalents | 1,574 | 1,323 | (4,583) | 3,299 | (3,332) |
| Trade receivables, net | 3,897 | 4,221 | 2,700 | (658) | 6,244 |
| Unbilled production costs | 1,486 | 1,830 | (1,497) | (1,047) | (269) |
| Employee receivables | 312 | 8 | 381 | 487 | 791 |
| Income tax receivable | 1,123 | (1,123) | 327 | (790) | — |
| Other current assets | 330 | (117) | 106 | (128) | 23 |
| | 8,722 | 6,152 | (1,566) | 1,163 | 3,457 |
| Accounts payable | (8,535) | (7,128) | 1,012 | (113) | 1,708 |
| Accrued income taxes | 691 | (335) | 533 | (385) | (1,337) |
| Deferred income taxes | (1,141) | 149 | 195 | (311) | (791) |
| Advance billings to clients | 105 | 235 | — | — | — |
| Accrued bonuses | (42) | (331) | (283) | (1,215) | (331) |
| Notes payable to former employees | 110 | — | — | — | — |
| Other liabilities | 156 | (527) | (39) | 1,103 | — |
| | (8,620) | (7,937) | 1,418 | (951) | (747) |
| Increase/(decrease) in working capital | 96 | (1,785) | (148) | 212 | 2,710 |

NOTE TO THE STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The excess of purchase price over net assets acquired in 1964 in respect of the acquisition of HBM is made up as follows:-

| | |
|---------------------------------|----------|
| | \$000 |
| Tangible assets | 802 |
| Unbilled production costs | 2,238 |
| Debtors and other assets | 14,144 |
| Cash at bank and in hand | 1,483 |
| Creditors and other liabilities | (18,433) |
| | 234 |
| Purchase price including costs | 2,203 |
| | 1,969 |

6. FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Group in respect of any period subsequent to 31st December, 1985.

Yours faithfully,
Stoy Hayward
Chartered Accountants.

PART IV -- INFORMATION ON THE WCRS GROUP

INTRODUCTION

These particulars relate to the proposed issue by WCRS of up to 6,267,909 new ordinary shares and 12,646,360 convertible preference shares in connection with the proposed acquisition of HBM Creamer and 372,208 ordinary shares (to be adjusted to reflect the Rights Offer) in connection with the proposed acquisition of FCO. Application will be made to the Council of The Stock Exchange for these shares and the WCRS units, none of which will be made available to the public, to be admitted to the Official List.

The Company is the holding company of the WCRS Group, which is engaged in carrying on the business of an advertising agency and a public relations consultancy and also has interests in a colour retouching and black and white processing business.

(i) Advertising

The principal activity of the Group is that of a full service advertising agency, based in central London, servicing companies in a wide range of sectors in the United Kingdom. It has a broad range of clients including such companies as BMW, Bass, British Telecom, Reckitt & Colman, Midland Bank, Thomson Travel, Prudential Corporation, ICI Paints, Canon and the Manpower Services Commission.

(ii) Public Relations

The Group's public relations activities are principally carried on through WCRS's subsidiary, Biss Lancaster, which was acquired on 9th April, 1985. It is particularly strong in consumer products and in the service sectors, notably travel and retail, although it is increasingly being retained to act in other areas such as take-over defence. Its clients include ABTA, Boots, British Airports Authority, Guinness, the Manpower Services Commission, Qualcast and TSB (England & Wales). Additional public relations activities are carried on through the Company's subsidiary, Lay and Partners Limited.

(iii) Parkway

In July 1983 the Company assisted in the formation of Parkway which carries on business as a finished artwork supplier with colour and black and white facilities. The Company owns 25 per cent. of Parkway.

1. DIRECTORS, SECRETARY, REGISTERED OFFICE, AUDITORS, SOLICITORS AND REGISTRARS

| | |
|-------------------------------------|--|
| Directors: | <p>Robin Wight – Chairman Ronald Collins – Creative Partner Andrew Duncan Rutherford – Creative Partner Peter John Scott – Group Chief Executive Stephen John White – Media Director John Hedley McKimmie, C.A. – Group Finance Director Adele Biss – Chief Executive, Biss Lancaster Richard Timothy Simmons Breene – Group Deputy Chief Executive George Morgan Magan, F.C.A. – Non-executive</p> <p>All, except for George Magan, of 41/44 Great Queen Street, London WC2B 5AR.</p> <p>George Magan is an executive Director of Morgan Grenfell. His address is 23 Great Winchester Street, London EC2P 2AX.</p> |
| Secretary and Registered Office: | <p>John Hedley McKimmie, C.A. 41/44 Great Queen Street, London WC2B 5AR</p> |
| Auditors: | <p>Stoy Hayward, Chartered Accountants, 8 Baker Street, London W1M 1DA</p> |
| Solicitors: | <p>Simon Olswang & Co, 1 Great Cumberland Place, London W1H 7AL</p> |
| Registrars: | <p>The Royal Bank of Scotland plc, 34 Fettes Row, Edinburgh EH3 6UT</p> |

4 CONSOLIDATED STATEMENT
OF PROFIT AND LOSS

| | | Year ended 30th April, | | | | |
|--|-----|------------------------|--------|----------|----------|----------|
| | | 1981 | 1982 | 1983 | 1984 | 1985 |
| | | £000 | £000 | £000 | £000 | £000 |
| Turnover | (a) | 7,175 | 12,085 | 18,771 | 26,621 | 36,267 |
| Direct cost of sales | | | | (15,729) | (22,419) | (30,674) |
| Gross advertising income | | 1,115 | 1,883 | 3,042 | 4,202 | 5,593 |
| Administrative expenses | | | | (2,558) | (3,317) | (4,181) |
| Other operating income | (b) | | | 484 | 885 | 1,412 |
| Share of profit from associated company | | | | 11 | 6 | 1 |
| Interest receivable | | | | — | 25 | 26 |
| | | | | 36 | 50 | 61 |
| Profit before interest and taxation | | 136 | 243 | 531 | 966 | 1,500 |
| Interest payable | | — | (4) | (15) | (11) | (16) |
| Profit before taxation | (d) | 136 | 239 | 516 | 955 | 1,484 |
| Taxation | (f) | (7) | (37) | (213) | (680) | (706) |
| Profit after taxation | | 129 | 202 | 303 | 275 | 778 |
| Extraordinary charge | (g) | — | — | — | — | (26) |
| Dividends | (h) | — | — | (28) | (128) | (200) |
| Retained profit for the year | | 129 | 202 | 275 | 147 | 552 |
| Earnings per share | (i) | 2.01p | 3.15p | 4.73p | 9.75p | 11.74p |
| Dividends per share | | NIL | NIL | 1.38p | 2.00p | 2.75p |

Notes:--

- (i) The audited accounts for 1981 and 1982 did not contain any division between cost of sales, administrative expenses and other income receivable.
- (ii) The figures for earnings per share and dividends per share have been adjusted to reflect the number of shares in issue following the one-for-one capitalisation issue in September 1984.

STATEMENT OF FINANCIAL POSITION

| | | As at 30th April, | | | | |
|--|------|-------------------|---------|---------|---------|---------|
| | | 1981 | 1982 | 1983 | 1984 | 1985 |
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | | |
| Tangible assets | (j) | 360 | 432 | 775 | 1,186 | 1,735 |
| Investments | (k) | — | — | — | 33 | 44 |
| | | 360 | 432 | 775 | 1,219 | 1,779 |
| Current assets | | | | | | |
| Motor vehicle fleet | | — | 296 | 337 | 430 | 562 |
| Work in progress | | 190 | 309 | 9 | — | — |
| Debtors | (l) | 1,448 | 1,904 | 3,402 | 4,061 | 5,525 |
| Investment | | — | — | — | 67 | — |
| Cash at bank and in hand | | 284 | 1,011 | 1,391 | 1,579 | 1,888 |
| | | 1,922 | 3,520 | 5,139 | 6,137 | 7,975 |
| Creditors | | | | | | |
| Amounts falling due within one year | (m) | (1,994) | (3,495) | (4,979) | (5,991) | (7,725) |
| Net current assets/ (liabilities) | | (72) | 25 | 160 | 146 | 250 |
| Total assets less current liabilities | | 288 | 457 | 935 | 1,365 | 2,029 |
| Creditors | | | | | | |
| Amounts falling due after more than one year | | (33) | — | — | — | — |
| Provision for liabilities and charges | | | | | | |
| Deferred taxation | (n) | — | — | — | (283) | (370) |
| | | 255 | 457 | 935 | 1,082 | 1,659 |
| Capital and reserves | | | | | | |
| Called up share capital | (o) | 25 | 50 | 320 | 320 | 759 |
| Share premium account | (p) | — | — | 183 | 183 | — |
| Profit and loss account | (q) | 230 | 407 | 432 | 579 | 900 |
| | | 255 | 457 | 935 | 1,082 | 1,659 |

6 STATEMENT OF
CONSOLIDATED SOURCE
AND APPLICATION OF FUNDS

| | Year ended 30th April, | | | | |
|---|------------------------|-------|---------|-------|---------|
| | 1981 | 1982 | 1983 | 1984 | 1985 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| SOURCE OF FUNDS | | | | | |
| Funds from operations:- | | | | | |
| Profit before taxation | 136 | 239 | 516 | 955 | 1,484 |
| Extraordinary item | — | — | — | — | (26) |
| Adjustment for items not involving the movement of funds: | | | | | |
| Depreciation | 60 | 79 | 75 | 141 | 196 |
| (Profit)/loss on disposal of fixed assets | (1) | (2) | 43 | (12) | (28) |
| Profit retained in associated company | — | — | — | (25) | (26) |
| | 195 | 316 | 634 | 1,059 | 1,600 |
| Funds from other sources:- | | | | | |
| Issue of share capital | — | — | 202 | — | — |
| Net increase in hire purchase finance | 37 | 222 | — | — | — |
| Proceeds from the disposal of fixed assets | 14 | 95 | 84 | 101 | 128 |
| Shares issued on merger | — | — | — | — | 118 |
| Sale of investments | — | — | — | — | 67 |
| | 246 | 633 | 920 | 1,160 | 1,913 |
| APPLICATION OF FUNDS | | | | | |
| Purchase of fixed assets | (274) | (245) | (544) | (642) | (697) |
| Dividends paid | — | — | — | (68) | (136) |
| Taxation paid | — | (16) | (23) | (51) | (244) |
| Purchase of long-term investment | — | — | — | (15) | — |
| Consolidation adjustment on merger | — | — | — | — | (93) |
| Fixed assets taken over on merger | — | — | — | — | (149) |
| | (274) | (261) | (567) | (776) | (1,319) |
| | (28) | 372 | 353 | 384 | 594 |
| (Increase)/decrease in working capital:- | | | | | |
| Work in progress | (92) | (119) | 300 | 232 | 180 |
| Debtors and prepayments | (1,094) | (455) | (1,523) | (726) | (1,463) |
| Motor vehicles | — | (296) | (41) | (93) | (131) |
| Creditors and accruals | 934 | 1,225 | 592 | 1,091 | 1,129 |
| | (252) | 355 | (672) | 504 | (285) |
| INCREASE/(DECREASE) IN NET LIQUID FUNDS | | | | | |
| | (280) | 727 | (319) | 888 | 309 |

(a) Operating performance by division
 Analysis of the WCRS Group net turnover:—

| | Year ended 30th April, | | |
|---|------------------------|--------|--------|
| | 1983 | 1984 | 1985 |
| | £'000 | £'000 | £'000 |
| Advertising | 18,771 | 26,621 | 35,819 |
| Public Relations | — | — | 448 |
| | 18,771 | 26,621 | 36,267 |
| Analysis of the WCRS Group profit before taxation:— | | | |
| Advertising | 516 | 930 | 1,355 |
| Public Relations | — | — | 103 |
| Parkway | — | 25 | 26 |
| | 516 | 955 | 1,484 |

(b) Other operating income
 Other operating income consists of rent receivable

| | |
|--------------------------|-------|
| (c) Employees | £'000 |
| Staff costs consist of:— | |
| Wages and salaries | 1,778 |
| Social security costs | 130 |
| Other pension costs | 25 |
| | 1,933 |

The average weekly number of full-time employees during the year ended 30th April, 1985 was 111.

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

| | Number |
|--------------------|--------|
| £30,001 to £35,000 | 3 |
| £35,001 to £40,000 | 2 |
| £40,001 to £45,000 | 1 |
| £50,001 to £55,000 | 1 |
| £70,001 to £75,000 | 1 |
| £75,001 to £80,000 | 1 |

| | |
|-------------------------------------|-------|
| (d) Profit before taxation | £'000 |
| This is arrived at after charging:— | |
| Depreciation | 197 |
| Auditors' remuneration | 14 |
| Directors' remuneration (note (e)) | 368 |

| | |
|-----------------------------|-------|
| (e) Directors' remuneration | £'000 |
| Emoluments | 366 |
| Fees | 2 |
| | 368 |

| | |
|---|-------|
| Emoluments (excluding pension contributions) of:— | £'000 |
| Chairman | 59 |
| Highest paid Director | 65 |

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

| | Number |
|--------------------|--------|
| £ 0 to £ 2,500 | 1 |
| £ 5,001 to £10,000 | 1 |
| £55,001 to £60,000 | 2 |
| £60,001 to £65,000 | 2 |
| | 6 |

| | |
|--|-------|
| (f) Taxation | £'000 |
| UK corporation tax at 44.5 per cent. based on profit for the year | 600 |
| Underprovision in previous year | 6 |
| Transfer to deferred taxation | 85 |

| | |
|--------------------|-----|
| | 691 |
| Associated company | 15 |
| | 706 |

| | |
|--|-------|
| (g) Extraordinary charge | £'000 |
| Cost of admission to listing on The Stock Exchange | 26 |

| | |
|-------------------------------------|-------|
| (h) Dividends | £'000 |
| Interim dividend of 0.75p per share | 48 |
| Final dividend of 2.00p per share | 152 |
| | 200 |

(i) Earnings per share
The calculation of earnings per share for the year ended 30th April, 1985 is based on earnings of £778,374 and an average of 6,631,256 equity shares in issue.

(j) Fixed assets – Tangible assets

| | Freehold land and buildings | Short leasehold | Lease- hold im- prove- ments | Office furniture, fixtures and equip- ment | Motor vehicles | Total |
|---|-----------------------------------|--------------------|---------------------------------------|---|-------------------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost at beginning of year | 100 | — | 47 | 1,059 | 183 | 1,389 |
| Assets taken over on acquisition | — | 6 | 9 | 179 | 10 | 204 |
| Additions | — | — | — | 496 | 200 | 696 |
| Disposals | — | — | — | (80) | (86) | (166) |
| At end of year | 100 | 6 | 56 | 1,654 | 307 | 2,123 |
| Depreciation at beginning of year | — | — | 6 | 172 | 25 | 203 |
| Provided on assets taken over on acquisition | — | 3 | 2 | 46 | 3 | 54 |
| Provided for the year | — | — | 5 | 141 | 50 | 196 |
| Disposals | — | — | — | (32) | (33) | (65) |
| At end of year | — | 3 | 13 | 327 | 45 | 388 |
| Net book value at 30th April, 1985 | 100 | 3 | 43 | 1,327 | 262 | 1,735 |
| Capital commitments | | | | | | £'000 |
| Contracted but not provided | | | | | | 110 |

(k) Fixed assets – Investments

| | |
|--------------------------|-------|
| Associated company: | £'000 |
| Cost of shares | 15 |
| Share of retained profit | 29 |
| | 44 |

| | Country of incorporation | Class of share | Percentage of equity held |
|---|-----------------------------|-------------------|------------------------------|
| Subsidiary companies | | | |
| WCRS Limited | England | Ordinary | 100% |
| Biss Lancaster plc | England | Ordinary | 100% |
| Lay and Partners Limited | England | 'A' Ordinary | 66 2/3% |
| WCRS Limited, whose registered office is at 2744 Great Queen Street, London WC2B 5AR did not trade during the year. The registered office of Biss Lancaster is 180 Wardour Street, London W1V 3AA and that of Lay and Partners is 8 Baker Street, London W1M 1DA. | | | |
| Associated company | | | |
| Parkway Studio Limited | England | Ordinary | 25% |

| | |
|--------------------------------|--------------|
| (l) Debtors | £'000 |
| Trade debtors | 5,260 |
| Prepayments and accrued income | 180 |
| Other debtors | 145 |
| | <u>5,525</u> |

| | |
|---|--------------|
| (m) Creditors – amounts falling due within one year | £'000 |
| Trade creditors | 4,975 |
| Other creditors | 445 |
| Work in progress | 402 |
| Creditors for taxation and social security | 526 |
| Corporation tax | 850 |
| Dividends payable | 151 |
| Accruals | 305 |
| | <u>7,725</u> |

| (n) Deferred Taxation | Total potential liability £000 | Provided in accounts £000 |
|--------------------------------|---|------------------------------------|
| Accelerated capital allowances | 435 | 435 |
| Advance corporation tax | (65) | (65) |
| | <u>370</u> | <u>370</u> |

| (o) Share Capital | Authorised £ | Issued and fully paid £ |
|-------------------|-----------------|-------------------------------|
| Ordinary shares | 1,200,000 | 758,782 |

(p) Share Premium Account
The balance on the share premium account at 1st May, 1984 was subsequently capitalised on a bonus issue of shares (as described in paragraph 2(b) above).

| | |
|---|------------|
| (q) Profit and Loss Account | £000 |
| Balance at 1st May, 1984 | 579 |
| Retained profit for the year | 552 |
| Amount capitalised on bonus issue of shares | (138) |
| Consolidation adjustment on acquisition of Biss Lancaster | (93) |
| Balance at 30th April, 1985 | <u>900</u> |

(r) Contingent Liability
The Company has jointly with other parties guaranteed obligations under the lease entered into by its associated company. At 30th April, 1985 the total potential liability amounted to £197,133.

8. NATURE OF FINANCIAL INFORMATION

The consolidated financial information set out above includes the accounts of WCRS and its subsidiaries and associated company and constitutes abridged accounts within the meaning of section 255(1) of the Companies Act 1985. These abridged accounts have been prepared from the full accounts of the WCRS Group for the five financial years ended 30th April, 1985 upon which unqualified audit reports have been given and which have been delivered to the Registrar of Companies.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of WCRS presently provides that the principal objects of WCRS are to act as a holding company and to carry on the business of an advertising agency. The objects of WCRS are set out in full in clause 4 of the Memorandum of Association which is available for inspection as referred to in paragraph 9 of Part IX.

The Articles of Association of WCRS contain provisions, *inter alia*, to the following effect:—

(a) The ordinary shares of WCRS are registered.

(b) Votes of Members

Subject to disenfranchisement in the event of non-compliance with the statutory notice requiring disclosure as to beneficial ownership and subject to any special

terms as to voting on which any shares may be held (no shares having been issued subject to any special terms), every member present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll, have one vote for every 10p in nominal amount of share capital of WCRS held by him.

(c) Variation of Rights

All or any of the rights or privileges attached to any class of share may, subject to the provisions of the Companies Acts 1985, be varied or abrogated either with the consent in writing of the holders of at least three quarters of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

(d) Transfer of Shares

The ordinary shares in WCRS may be transferred in the usual common form or in such other form as shall be approved by the Directors and shall be signed by or on behalf of the transferor (and in the case of a transfer of partly paid shares by the transferee) and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. When registered, the instrument of transfer shall be retained by WCRS.

The Directors may, in their absolute discretion and without assigning reason therefor, refuse to register any share transfer unless:-

- (i) it is in respect of a fully paid share;
- (ii) it is in respect of a share on which WCRS does not have a lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of not more than four joint holders as transferees;

and the proper procedure for registration of the transfer and proof of the title of the transferor and the due execution of the transfer by him has been complied with. The Articles of Association contain no restrictions on the free transferability of fully paid shares.

(e) Dividends and Other Distributions

WCRS in general meeting may declare dividends, but no larger than have been recommended by the Directors. No dividend bears interest against WCRS. Subject to any special rights (there being no such rights at present) all dividends are to be declared and paid according to the amounts paid up on the relevant shares (not being paid up in advance of calls) and all dividends are to be apportioned and paid proportionately to amounts paid-up during the dividend period. One joint holder of shares can give an effective receipt for all such holders.

The Directors may pay interim dividends.

All dividends, interest or other sums payable but unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of WCRS until claimed. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to WCRS.

The Directors may deduct from any dividend or other monies payable to any member on or in respect of a share all such sums as may be due from him to WCRS on account of calls or otherwise in relation to WCRS shares.

Any general meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, provided it has been recommended by the Directors. Where any difficulty arises in regard to the distribution, the Directors may settle the same as they think expedient.

The Company in general meeting or the Board may fix any date as the record date for any dividend, distribution, allotment or issue, before such dividend, distribution, allotment or issue is paid or made, but irrespective of when it is declared.

On a winding-up, the liquidator may, with the authority of an extraordinary resolution, divide among the members in kind the whole or any part of the assets of WCRS and for such purposes may set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between members or classes thereof (subject to the members' rights of dissent and other rights arising where the same was a special resolution passed in accordance with section 592 of the Companies Act 1985).

(f) **Changes in Capital**

WCRS may from time to time by ordinary resolution increase its capital by the creation of such new shares of such amounts and subject to such privileges, priorities or conditions as such resolutions may prescribe.

Subject to the provisions of the Companies Act 1985, new shares may be allotted with such preferential rights and priorities and subject to such postponements in the distribution of assets and with, or subject to, such preferential or limited or qualified rights of voting as WCRS may from time to time by ordinary resolution determine or (in the absence of such determination) as the Directors may determine but so that the rights attached to any issued shares as a class shall not be varied except with the consent mentioned in (c) above. Otherwise, any shares may be issued on terms that they are or at the option of WCRS are liable to be redeemed.

WCRS may from time to time by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner authorised by law. WCRS may also by ordinary resolution cancel any shares not taken or agreed to be taken and diminish the amount of its share capital by the nominal value of the shares so cancelled. WCRS may, subject to the provisions of the Companies Act 1985, purchase its own shares, including any redeemable shares.

10. PREMISES

The following are details of the principal premises occupied by the WCRS Group (other than the associated company):-

| | |
|----------------------|---|
| Location: | 41/44 Great Queen Street, London WC2B 5AR |
| Description: | Offices |
| Size: | 17,000 square feet |
| Tenure: | The property is held under a lease for 25 years from 29th September, 1982 with five yearly rent reviews |
| Current annual rent: | £254,000 per annum |

The Company also owns two freehold industrial buildings on Monkmoor Industrial Estate, Shrewsbury (comprising respectively 1,300 and 1,950 square feet of floor space) which are held as investment properties.

Biss Lancaster operates from new office premises at 180 Wardour Street, London W1V 3AA. These premises comprise 8,000 square feet and are held under a 25 year lease from the Crown Estate Commissioners at an annual rent of £146,695 with five yearly rent reviews.

11. EMPLOYEES

For the three financial years ended 30th April, 1985 the average number of employees of the WCRS Group (including Directors, -

| | 1983 | 1984 | 1985 |
|-----------|------|------|------|
| Employees | 61 | 90 | 111 |

**12. INVESTMENT IN
ASSOCIATED COMPANY**

In July 1983, the Company subscribed in cash for 25 per cent. of the issued share capital of Parkway at a cost of £15,000. The registered office of Parkway is at 66-70 Parkway, London NW1 7AH.

Parkway has an issued and fully paid share capital of £60,000.

**13. ACQUISITION OF
BISS LANCASTER**

On 9th April, 1985, the Company purchased the whole of the issued share capital of Biss Lancaster for an initial consideration of £3.2 million satisfied by the issue of 1,180,818 ordinary shares, credited as fully paid, and an additional consideration of up to £3.25 million, payable in instalments following the announcement of the final results of Biss Lancaster for the years 1986, 1987 and 1988. Such additional consideration may be satisfied by the issue of further shares or cash or loan notes. A copy of the agreement for the purchase of Biss Lancaster is available for inspection as referred to in paragraph 9 of Part IX.

PART V - INTERIM STATEMENT OF THE WCRS GROUP

The following is the text of the announcement of the unaudited results of the WCRS Group for the half year to 31st October, 1985 which was issued on the 18th December, 1985:-

| | Half-year to 31.10.85 £'000 | Half-year to 31.10.84 £'000 | Year to 30.04.85 £'000 |
|-------------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| Turnover | 23,281 | 12,656 | 36,267 |
| Profit before taxation | 547 | 265 | 1,484 |
| Taxation | 232 | 19 | 706 |
| Profit attributable to shareholders | 315 | 146 | 778 |
| Earnings per ordinary share of 10p | 4.15p | 2.28p | 11.74p |
| Interim dividend per share (net) | 1.00p | 0.75p | 2.75p |

Notes:-

- The Interim Dividend is payable on 3rd February, 1986 to shareholders on the Register of Members at the close of business on 9th January, 1986.
- The figures given above have been prepared under the historical cost convention.

CHAIRMAN'S STATEMENT

In my last end of year report to shareholders I predicted that results this year would "be outstanding by any measure". Our interim results are well up to expectations and continue the record of uninterrupted growth achieved since the company was established in 1979.

Profits of £547,000 are 106% up on last half year; EPS at 4.15p have risen by 82%. The dividend increase of 67% is fully justified.

This year's figures include a first full contribution from Biss Lancaster which is living up to the hopes and ambitions noted at the time of acquisition. But despite their contribution the group remains stubbornly seasonal though we might wish for a more even spread of income throughout the year this seasonality has the distinct advantage of keeping management's foot hard down on the accelerator pedal through until midnight at the year end.

The two main operating companies - WCRS Limited and Biss Lancaster - maintained strong growth with a clutch of new client assignments adding to the surge of new business gained in the first half of the financial year: much of this new business has yet to come fully on stream.

As part of our programme of selective diversification within the communication business the group has taken a majority stake in a new media promotions consultancy, Lay and Partners. The consultancy has already won its first substantial client assignment and looks set for profitable growth in the years ahead.

Opportunities are constantly examined and your Directors hope that further developments will be announced during 1986.

All in all we are pleased with our progress and continue to believe that the full year and beyond will live up to our expectations.

It only remains for me to wish you all a happy and prosperous new year and to leave you with the hope that WCRS may have a modest contribution to make in helping you achieve the latter ambition.

Robin Wight,
CHAIRMAN

18th December, 1985

PART VI - PROFIT ESTIMATE OF THE WCRS GROUP

The Directors of WCRS estimate that, on the basis set out below, the consolidated profit before tax for the year ended 30th April, 1986 was not less than £2.6 million (including £0.3 million of property profits which the Directors expect to recur) and earnings per share not less than 20.5p.

1. BASIS OF PROFIT ESTIMATE

The estimate is based on (a) the results shown by the unaudited management accounts of the WCRS Group for the twelve months ended 30th April, 1986 and (b) accounting policies consistent with those normally adopted by the WCRS Group.

2. LETTERS

The following are the texts of letters received by the Directors of WCRS relating to the estimate for the year ended 30th April, 1986:-

(a) Letter from Stoy Hayward

The Directors,
Wight Collins Rutherford Scott (Holdings) P.L.C.,
41/44 Great Queen Street,
London WC2B 5AR

8 Baker Street,
London W1M 1DA

10th June, 1986

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the profit estimate of Wight Collins Rutherford Scott (Holdings) P.L.C. ("WCRS") and its subsidiaries and associated company (for which the Directors are solely responsible) for the year ended 30th April, 1986. This estimate is set out in the document addressed to WCRS shareholders to be dated 11th June, 1986.

The estimate is based on the unaudited results shown by the management accounts for the twelve months ended 30th April, 1986.

In our opinion, the profit estimate has been properly compiled and is presented on a basis consistent with the accounting policies normally adopted by WCRS and its subsidiaries and associated company.

Yours faithfully,

STOY HAYWARD
Chartered Accountants

(b) Letter from Morgan Grenfell & Co. Limited

The Directors,
Wight Collins Rutherford Scott (Holdings) P.L.C.,
41/44 Great Queen Street,
London WC2B 5AR

23 Great Winchester Street,
London EC2P 2AX

10th June, 1986

Dear Sirs,

We refer to the estimate of profit before taxation and earnings per share of Wight Collins Rutherford Scott (Holdings) P.L.C. ("WCRS") and its subsidiaries and associated company for the year ended 30th April, 1986 which is set out in the document addressed to WCRS shareholders to be dated 11th June, 1986.

We have discussed with you the basis upon which the estimate has been made and we have also considered the letter addressed to you from Stoy Hayward regarding the accounting policies and calculations underlying the estimate.

As a result of these discussions and having regard to the letter from Stoy Hayward, we have formed the opinion that the estimate (for which you, as Directors, are solely responsible) has been made after due and careful enquiry.

Yours faithfully,

for MORGAN GRENFELL & CO. LIMITED
D. W. Wells
Director

PART VII — PRO FORMA CONSOLIDATED STATEMENT OF NET TANGIBLE ASSETS

The pro forma consolidated statement of net tangible assets following the proposed acquisitions of HBM Creamer and FCO, set out below, which is unaudited and is for illustrative purposes only, is based on the audited consolidated balance sheets of WCRS (as set out in Part IV) and FCO at 30th April, 1985 and the net tangible assets of HBM Creamer at 31st December, 1985 as set out in the Accountants' Report in Part III:—

| | Pre Acquisition £'000 | Post Acquisition £'000 |
|---|--------------------------|---------------------------|
| FIXED ASSETS | | |
| Tangible assets | 1,735 | 6,411 |
| Investments | 44 | 44 |
| | <u>1,779</u> | <u>6,455</u> |
| ASSETS RELATING TO DEFERRED COMPENSATION | — | 3,435 |
| NET CURRENT ASSETS/(LIABILITIES) | <u>250</u> | <u>(2,153)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>2,029</u> | <u>7,732</u> |
| PROVISION FOR LIABILITIES AND CHARGES | | |
| Liabilities | — | (3,525) |
| Deferred taxation | (370) | (841) |
| NET TANGIBLE ASSETS | <u>1,659</u> | <u>3,366</u> |

Notes:—

- (i) The net tangible assets of HBM Creamer have been translated into sterling at the rate ruling on 31st December, 1985 (\$1.4455 : £1). The net tangible assets have been adjusted to reflect the redemption of shares for the net amount of \$11.5 million;
- (ii) The consolidated net current assets have been adjusted to reflect the cash element of the consideration payable for the acquisition of FCO (£1.5 million) of which £300,000 is a current liability and £1,200,000 is a long term liability;
- (iii) Provision has been made for the expenses of the proposed acquisitions of HBM Creamer and FCO which are estimated to amount to £2.8 million.

PART VIII -- THE CONVERTIBLE PREFERENCE SHARES

The rights to be attached to the convertible preference shares are set out in resolution 4 in the Notice of Extraordinary General Meeting at the end of this document. A summary is set out below.

1. INCOME AND CAPITAL

- (i) The convertible preference shares will carry the right to a fixed cumulative preferential dividend of 55 per cent. per annum payable half yearly on 31st January and 31st July in each year. The first dividend will be payable on 31st January, 1987 in respect of the period from 28th July, 1986 to 31st January, 1987 and will amount to 2.8329p (net) per share.
- (ii) On a winding up, the convertible preference shares will have a preferential right to repayment of capital (including a premium of 90p per convertible preference share) and all arrears of fixed cumulative dividend.

2. VOTING

The holders of the convertible preference shares will have the right to receive notice of and to attend general meetings of the Company but will only be entitled to vote thereat if their fixed cumulative preferential dividend or any part thereof is 6 months in arrears or if a resolution is to be proposed at such meeting abrogating or varying any of their class rights or privileges or for the winding up of the Company.

3. CONVERSION

Each convertible preference share may be converted into fully paid ordinary shares on 31st August 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. Conversion is effected by the holder giving notice to the registrars of the Company at any time during the period of 28 days prior to 31st August in the year 1987 or in any of the following years up to and including the year 1998. If, in any such years, the audited accounts of the Company for its preceding accounting period have not been sent to holders of convertible preference shares by 31st July in such year, the holder may convert 28 days after the date on which such accounts are so despatched.

If 75 per cent. or more of the convertible preference shares have been converted or redeemed, the Company can require the remainder to be converted.

4. REDEMPTION

- (i) Where a holder of convertible preference shares gives a notice to convert, the convertible preference shares to which it relates will be redeemed at par plus a premium of 90p per share by the Company and the redemption monies will be applied in subscribing, on such holder's behalf, for the appropriate number of ordinary shares at the rate of conversion referred to in paragraph 3 above.
- (ii) The Company will redeem at par plus a premium of 90p per share on 31st January, 1999 any convertible preference shares still in issue on that date.

5. PROTECTION OF CLASS RIGHTS

- (i) So long as any convertible preference shares are convertible, certain transactions can be carried out only with the consent of the convertible preference shareholders as a class. These include:--
 - (a) any capitalisation issue, except of ordinary shares, whereupon the conversion rate referred to in paragraph 3 above will be adjusted as appropriate;
 - (b) a rights issue to ordinary shareholders without a similar offer being made to the holders of convertible preference shares as if such shares had been converted;
 - (c) any issue of a new class of shares, except in limited circumstances;
 - (d) any alteration to the borrowing limits of the Directors as set out in the Articles;
 - (e) any reduction in the share capital of the Company or any purchase by the Company of its own shares; and
 - (f) any alteration to the rights attaching to the ordinary shares.
- (ii) If an offer is made to the ordinary shareholders to acquire all or some of the ordinary shares and no contemporaneous fair and reasonable offer is made to convertible preference shareholders, the Company will give notice thereof to the convertible preference shareholders and, as long as the offer remains open for acceptance, the convertible preference shareholders may convert their convertible preference shares into ordinary shares.
- (iii) On a winding up, the convertible preference shareholders may convert their convertible preference shares into ordinary shares.
- (iv) The Company will procure that there is sufficient authorised but unissued ordinary share capital available to exercise the conversion rights attaching to the convertible preference shares.

PART IX - GENERAL INFORMATION

1. DIRECTORS' STATEMENTS

The Directors of WCRS, whose names appear in paragraph 1 of Part IV, are the persons responsible for the information contained in this document, other than the information on HBM Creamer in Part III. To the best of the knowledge and belief of such Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. Such Directors accept responsibility accordingly.

The Directors of WCRS and Stoy Hayward are the persons responsible for the information on HBM Creamer in Part III. To the best of the knowledge and belief of such Directors and Stoy Hayward (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. Such Directors and Stoy Hayward accept responsibility accordingly.

2. INDEBTEDNESS

At the close of business on 23rd May, 1986, apart from intra-group borrowings, the indebtedness of the WCRS Group, which for these purposes includes FCO, was £746,872, together with outstanding hire purchase liabilities and commitments under finance leases of £753,916, and contingent liabilities of £500,000. On the same date, the WCRS Group had balances with bankers amounting to £1,733,146.

At the close of business on 23rd May, 1986, apart from intra-group borrowings, the indebtedness of HBM Creamer was \$4,593,415. On the same date, HBM Creamer had balances with bankers amounting to \$7,406,106.

Save as aforesaid, and excluding indebtedness and guarantees within the WCRS Group and HBM Creamer, none of the Company, its subsidiaries, FCO and HBM Creamer, had at that date outstanding or created, but unissued, any loan capital (including term loans), mortgages or charges, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

3. DIRECTORS' AND OTHER INTERESTS

- (a) The interests, as defined in the Companies Act 1985, of the Directors of WCRS and their families in the share capital of WCRS, and the relevant percentages of the existing issued ordinary share capital represented by their interests are as follows:—

| | Ordinary shares | | Percentage of existing ordinary share capital | Options |
|----------------------|-----------------|----------------|---|---------|
| | Beneficial | Non-beneficial | | |
| Robin Wight | 822,200 | 154,000 | 12.9 | — |
| Ronald Collins | 755,200 | 154,000 | 12.0 | — |
| Andrew Duncan | | | | |
| Rutherford | 762,200 | 154,000 | 12.1 | — |
| Peter John Scott | 700,750 | 105,500 | 10.6 | — |
| Stephen John White | 88,643 | — | 1.2 | 20,000 |
| John Hedley McKimmie | 78,626 | — | 1.0 | 40,000 |
| Adele Biss | 195,860 | — | 2.6 | — |
| Richard Timothy | | | | |
| Simmons Breene | 9,150 | — | 0.1 | 50,000 |
| George Morgan Magan | 10,000 | — | 0.1 | — |

- (b) If, pursuant to the agreement for the acquisition of Biss Lancaster the maximum number of additional consideration shares is issued and allotted after the 1988 accounting period of Biss Lancaster, and following the assignment described below, Adele Biss will be interested in an additional 480,291 ordinary shares (an aggregate of 676,151 ordinary shares or 4.4 per cent. of the enlarged ordinary share capital).

Pursuant to an assignment dated 25th April, 1986, Adele Biss assigned the right to receive 40.64 per cent. of the additional consideration shares to which Adele Biss, Peter Reeves and Graham Lancaster would be entitled under the agreement for the acquisition of Biss Lancaster, as described above, to the trustees of a settlement in which she is interested and pursuant to an assignment dated 27th May, 1986 Adele Biss assigned the balance of her rights to Graham Lancaster.

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- (c) Following the Acquisition, D. Creamer, H. Strauss and E. Eskandarian will be interested in 161,248, 217,685 and 217,685 ordinary shares respectively.
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- (d) Save as disclosed in paragraph (a) above, the Directors are not aware of any other shareholding which amounts to 5 per cent. or more of the issued share capital of the Company.
-
- (e) The aggregate emoluments of the Directors in respect of the latest financial year of the Company were £517,427. The aggregate emoluments of the Directors in respect of the current financial year are estimated under the agreements currently in force to be approximately £606,250. There will be no change in the emoluments of the present Directors of WCRS as a result of the acquisitions of HBM Creamer and FCC.
-
- (f) There are no outstanding loans granted by any member of the WCRS Group to any Director nor any guarantee provided for the benefit of any Director.
-
- (g) On completion of the acquisition of HBM Creamer, D. Creamer, H. Strauss and E. Eskandarian will become Directors of WCRS. They will also enter into new contracts of service with HBM Creamer. D. Creamer's contract will be for a period of 3 years and he will receive a base salary of \$370,000. H. Strauss and E. Eskandarian will each have contracts for 4 years 364 days, under which they will receive base salaries of \$360,000 and \$320,000 respectively. In addition, each of the three will receive a guaranteed bonus of \$125,000 per annum and an incentive bonus related to turnover. Each contract also provides for severance pay of \$150,000 per annum for ten years.
-
- (h) George Magan is a Director of Morgan Grenfell which will be receiving a fee in connection with the proposed acquisition of HBM Creamer and the Rights Offer to qualifying persons.
-
- (i) On 29th January, 1986, the Company entered into a two year contract of service with R.T.S. Breene at a salary of £120,000 with a 6 month notice period.
-
- (j) Save as disclosed in paragraphs (g) and (i) above, no contract of service between WCRS and any Director or proposed Director of WCRS has been entered into or varied since 22nd July, 1985 (the date of the Notice convening the last Annual General Meeting of WCRS), nor are any such contracts or variations proposed.
-
- (k) Save as disclosed in paragraphs (b) and (h) above, no Director of WCRS has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of WCRS or HBM Creamer and were effected during the period since 30th April, 1985 or during an earlier period and remain in any respect outstanding or unperformed.
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4. SHARE SCHEMES

(a) Share Participation Scheme

The Share Participation Scheme was set up to take advantage of the provisions of Chapter III of Part III of the Finance Act 1978 ("the Act"), and is governed by a Trust Deed dated 16th August, 1983. The current Trustees of the Scheme are The Royal Bank of Scotland plc. The Scheme has the approval of the Board of Inland Revenue. Subject to the requirements of the Act, the amount of the Company's available profits for each financial year which may be set aside by the Directors for the purposes of the Scheme is decided at their discretion but may not exceed 5 per cent. of those profits.

In essence, all full-time employees and salaried Directors of the Group are eligible to participate in the Scheme. Since the Scheme was introduced, the Trustees have acquired 31,152 ordinary shares in the Company representing 0.4 per cent. of the Company's share capital. Under the Scheme the maximum benefit is that permitted under section 58 of, and Paragraph 1(4) of Schedule 9 to, the Act.

(b) Executive Share Option Scheme

The Executive Share Option Scheme permits the Directors of the Company at their discretion to invite such full-time senior executives as they shall select, to apply for options over shares in the Company.

Offers of participation will be made to such full time Directors or employees as the Board shall select, and who are required to devote to their duties not less than twenty five hours per week or, in the case of an employee who is not a Director, twenty hours per week. No such person must within the twelve months preceding the date of the grant of any option under the Scheme have had an interest of more than 5 per cent. in the share capital of a close company in which shares may be acquired under the Scheme or in a company which is under the control of such company, or which is a member of a consortium which owns such a company.

No option may be granted to persons eligible under the Scheme if the option, at the time it is granted, would cause the market value of the shares comprised in that option, when aggregated with the market value of shares comprised in any options granted to him under the Scheme (or under any other Revenue approved share option scheme established for the purpose of enabling Directors and/or employees of the WCRS Group to acquire shares) which have been or remain to be exercised, to exceed the greater of £100,000 or four times the amount of his relevant emoluments. For the purposes of the Scheme, "relevant emoluments" means emoluments for the current year ending 5th April liable to be paid by the WCRS Group or, if greater, the emoluments paid by the WCRS Group in the year ended 5th April preceding the date of the grant of an option under the Scheme.

The maximum number of ordinary shares in respect of which options may be granted under the Scheme is 758,782 shares (10 per cent. of the present issued share capital) subject to adjustment *inter alia* in the case of capitalisation or rights issues in such manner as the auditors shall certify to be in their opinion fair and reasonable.

The price at which option holders may acquire shares on the exercise of options will be the greater of (a) the market value of the Company's ordinary shares as derived from The Stock Exchange Daily Official List for the dealing day preceding the date of grant and (b) the nominal value. On the grant of an option, option holders are required to pay £50 which will not be refundable and will not be on account of the subscription price. Options may be granted within six weeks after announcement of the final or interim consolidated results for the WCRS Group. Option holders will make their own arrangements to finance the subscription on the exercise of their options.

No option may be granted more than ten years after the date of approval of the Scheme by the Company in general meeting. Options, which may not be transferred or assigned, will not be exercisable before the expiry of five years from the date of grant except in special circumstances. Options will generally only be exercisable while the holder is in the full-time employment of the WCRS Group and will lapse at the expiry of seven years from the date of grant.

No option may be exercised by an option holder within three years of the date when that option holder last exercised an option which was granted under the Scheme.

The shares allotted on exercise of an option will rank *pari passu* in all respects with the ordinary shares then in issue, except that they will not rank for any dividend or distribution of WCRS declared with reference to a record date prior to the date of exercise.

Although the Rules of the Scheme may be amended from time to time by the Directors of WCRS, the material elements of the Scheme as stated above cannot be altered without the prior consent of WCRS in general meeting and then only after prior notification from the Board of Inland Revenue that such amendments will not affect any approvals in respect of the Scheme granted in accordance with section 38 and Schedule 10 to the Finance Act 1984.

Under the terms of the Executive Share Option Scheme, options may be granted over ordinary shares of the Company from time to time. Options are outstanding over 722,500 ordinary shares at prices ranging from 147.5p to 340p, exercisable between 18th January, 1989 and 29th January, 1993.

5. UNITED KINGDOM TAXATION OF DIVIDENDS AND DISTRIBUTIONS

Under current United Kingdom taxation legislation, no tax will be withheld from dividend payments by WCRS but WCRS will have to account to the United Kingdom Inland Revenue for advance corporation tax (currently at the rate of 29/100ths of the amount of the dividend) in respect of any dividend it pays.

A United Kingdom resident individual shareholder will have an imputed tax credit (currently equivalent to 2/11ths of the amount of the dividend) in respect of any dividend received. The cash dividend received by an individual together with the imputed tax credit are both included in arriving at the individual's total income for United Kingdom taxation purposes. The tax credit is then set against the individual's overall tax liability and may be repaid to the extent that his total tax credits exceed his overall tax liability. A United Kingdom resident corporate shareholder will not be charged to corporation tax on any dividend received.

A non-United Kingdom resident shareholder is entitled to the benefit of a tax credit in respect of any dividend received. However, no assessment will be made on him in respect of United Kingdom income tax at the basic rate and his liability, if any, to United Kingdom income tax at higher rates will be limited to the excess of higher rate over basic rate liability.

Special rules would apply under current United Kingdom taxation legislation to any capital distribution.

Any person who is in doubt as to his taxation position should consult an appropriate professional adviser.

6. MATERIAL CONTRACTS

The following contracts have been entered into by WCRS or its subsidiaries (other than contracts in the ordinary course of business) within the period of two years immediately preceding the date of this document and are, or may be, material:-

-
- (a) An agreement dated 7th January, 1985 between H. T. King, Esq and others (1) H. T. King, Esq and others (2) the associated company (3) and the Company (4) under which the associated company purchased the whole of the issued share capital of Studio 10 (Advertising Services) Limited and the Company and others jointly guaranteed payment by the associated company of the consideration agreed and further agreed to indemnify certain of the vendors against liability under a specified deed of guarantee.
 - (b) An agreement dated 17th January, 1985, between the Crown Estate Commissioners (1) and Biss Lancaster (2) under which Biss Lancaster agreed to lease the third floor and part of the basement of 180 Wardour Street, London W1 for a term of 25 years from 25th January, 1985 at an annual rent of £146,695.
 - (c) An agreement dated 20th February, 1985 between Adele Biss and Peter Leonard Reeves and Graham Lancaster ("the Partners") (1) and Biss Lancaster Limited (2) under which Biss Lancaster Limited purchased the business carried on by the Partners in partnership under the name of "Biss Lancaster" and took over the assets, liabilities and premises of that partnership. The consideration for the purchase was £200,000 which was satisfied by the issue of 200,000 ordinary shares of £1 each in Biss Lancaster.
 - (d) An agreement dated 21st February, 1985 between Morgan Grenfell and the Company under which, Morgan Grenfell agreed to purchase 688,715 of the shares allotted in satisfaction of the initial consideration due in respect of the acquisition of Biss Lancaster and agreed to place all or some of those shares ("the Placing Shares") at a price of 270½p per share and to pay to the Company the proceeds of sale of the Placing Shares after deducting certain expenses and commissions. The Company also agreed (*inter alia*) to pay certain commitment fees and related expenses of the placing and gave undertakings and warranties in connection with the placing.
 - (e) An agreement dated 21st February, 1985 between Adele Biss, Peter Leonard Reeves and Graham Lancaster (1) Biss Lancaster (2) and WCRS (3) under which WCRS agreed to acquire the whole of the issued share capital of Biss Lancaster for an initial consideration of £3.25 million satisfied by the issue of 1,181,818 ordinary shares credited as fully paid and an additional consideration of up to £3.25 million, payable in instalments following the announcement of the final results of Biss Lancaster for the years 1986, 1987 and 1988 respectively. Such additional consideration is to be satisfied by the issue of further shares or cash or loan notes.

- (f) An agreement dated 15th November, 1985 between the Company (1) Philip Lay (2) and Nicholas Hall (3) under which the Company subscribed for 66 2/3 per cent. of the "A" ordinary share capital and £75,000 nominal of loan stock of Lay and Partners Limited, a company established to carry on the business of public relations consultants.
- (g) An agreement dated 7th February, 1986 between the Company (1) and Thames Land Limited ("Thames") (2) relating to the freehold property at New London Centre, 167 to 172, Drury Lane, London, WC2, which consists of offices, shops, flats, a car park, a theatre and a restaurant. Under this agreement, the Company agreed to acquire the lease of the office part and Thames agreed to acquire the freehold of the property. As part of this agreement, the Company has agreed to issue a guarantee for £3.5 million to Midland Bank PLC as security for borrowings by Thames in connection with its purchase of the freehold of the property. The Company agreed to surrender the office lease and to take a new lease with a term of £340,250 and a reverse premium of £200,000. Thames agreed to sell the freehold. On sale, the proceeds after deducting costs on acquisition, interest and expenses are to be split 60 per cent. to the Company and 40 per cent. to Thames. In addition, all outgoing are payable by Thames but WCRS has agreed to lend the shortfall between income received and expenditure.
- (h) A conditional agreement dated 3rd June, 1986 between R. M. French and others (1) and the Company (2) under which the Company agreed to acquire the whole of the issued share capital of FCO for an initial consideration of £1 million to be satisfied by the payment of £1.5 million in cash and the allotment and issue of 372,208 ordinary shares (to be adjusted to reflect the Rights Offer), credited as fully paid, and an additional consideration, payable in instalments, of 5 times the amounts by which the pre-tax profits for the years 1987, 1988 and 1989 exceed £300,000, £500,000 and £700,000 respectively. The maximum consideration payable is £6,750,000 plus 2 1/2 per cent. of the excess of pre-tax profits over £800,000 for the year 1989. WCRS has the option to satisfy up to 50 per cent. of the additional consideration by the issue of ordinary shares with the balance payable in cash.
- (i) A conditional agreement (the Acquisition Agreement) dated 11th June, 1986, as varied by two supplemental agreements dated 11th June, 1986, between the Company (1) WCRS (US) (2) HBM Creamer (3) and the Vendors (4) under which WCRS (US) agreed to purchase 85 per cent. of the stock of HBM Creamer for \$42.5 million in cash, of which \$7,792,714 will be deferred. Pursuant to the terms of redemption agreements made between HBM Creamer and certain stockholders and referred to in the Acquisition Agreement, \$2,207,266 of redemption monies will also be deferred. The total deferred payment of \$10 million will be dependent on the profits before tax of HBM Creamer for the year ending 31st December, 1986 being not less than \$8.6 million. In addition under the Acquisition Agreement, the Company agreed to purchase 15 per cent. of the stock of HBM Creamer in consideration of the allotment and issue to certain of the Vendors of 827,201 new ordinary shares and the allotment and issue to certain other Vendors of up to a further 382,164 new ordinary shares or of cash at their option. The Acquisition Agreement is further described under "Acquisition Arrangements and Financing" in the Chairman's letter above and is conditional (inter alia) upon the approval of WCRS shareholders, permission being granted by the Council of The Stock Exchange for the admission to the Official List of all the new ordinary shares and the convertible preference shares (subject to allotment) and such allotment taking place.
- (j) A conditional agreement (the Rights Offer Agreement) dated 11th June, 1986 between the Company (1) WCRS (US Holdings) (2), WCRS (US) (3) and Morgan Grenfell (4) under which Morgan Grenfell has agreed (i) to subscribe shares and loan stock in WCRS (US Holdings) and to procure the subscription by WCRS (US Holdings) of shares in WCRS (US) to enable WCRS (US) to fulfill its obligations under the Acquisition Agreement; (ii) to sell (and the Company to purchase) all the share and loan capital of WCRS (US Holdings) in consideration of the allotment to Morgan Grenfell of 5,058,544 new ordinary shares and 12,646,360 convertible preference shares; (iii) to make the Rights Offer; and (iv) to arrange the placing described under "Acquisition Arrangements and Financing" in the Chairman's letter above. The Company has agreed to pay Morgan Grenfell for its services under the Rights Offer Agreement a commission of 1 1/4 per

cent. of an amount equal to the aggregate price under the Rights Offer of all the WCRS units ("the aggregate offer price"), an additional commission of 1 1/2 per cent. of the aggregate offer price for each period of seven days (or part thereof) from 11th July 1986 to the second business day after the date falling 21 days after renounceable letters of rights are posted under the Rights Offer; each of such commissions being conditional on the Rights Offer being successful; and a further commission of 1/4 per cent. of the aggregate placing price of the new shares which are the subject of the placing referred to above ("the aggregate placing price") and, if the placing becomes unconditional, 3/4 per cent. of the aggregate placing price.

The Rights Offer Agreement is conditional upon:—

- (i) the passing of the resolutions numbered 1, 2, 4 and 5 set out in the Notice of Extraordinary General Meeting convened for 4th July, 1986;
- (ii) the Council of The Stock Exchange agreeing to admit the new ordinary shares, the convertible preference shares and the WCRS units to the Official List, subject only to allotment;
- (iii) the Acquisition Agreement becoming unconditional in all respects and being completed; and
- (iv) the warranties and undertakings given by the Company in the Rights Offer Agreement remaining true, accurate and not misleading in all material respects at all times up to completion of the Acquisition Agreement.

The placing referred to above is further conditional upon any part (not exceeding \$2.4 million) of the consideration due to the Vendors under the Acquisition Agreement being payable in cash at completion thereof (rather than the allotment of new ordinary shares to the value of such cash entitlement).

7. WORKING CAPITAL

The Directors of WCRS are of the opinion that, taking into account existing bank balances and facilities available to it, the WCRS Group has, and following the acquisitions of HBM Creamer and FCO will have, sufficient working capital for its present requirements.

8. MISCELLANEOUS

- (a) Save as disclosed in this document, there has been no material change in the financial or trading position of the WCRS Group since 30th April, 1985, the date of its latest published audited accounts, or in the financial or trading position of HBM Creamer since 31st December, 1985, the date of its latest published audited accounts.
- (b) The expenses of the proposed acquisition of HBM Creamer, including capital duty, which are payable by WCRS (US Holdings) and the expenses of the proposed acquisition of FCO, including capital duty, which are payable by the Company, are estimated to amount to approximately £2.8 million (excluding value added tax).
- (c) None of WCRS or any of its subsidiaries is engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the financial position of the WCRS Group taken as a whole, nor, so far as the Directors of WCRS are aware, are any such proceedings pending or threatened against WCRS or any of its subsidiaries.
- (d) Morgan Grenfell has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its letter and the references therein and to it in the form and context in which they appear.
- (e) Stoy Hayward has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of their report and letter and the references thereto and to themselves in the form and context in which they appear.

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- (p) The Acquisition Agreement contains, inter alia, appropriate indemnities against liabilities of HBM Creanet to federal, state and local taxes.
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UNRECORDED COPY FOR
DEVELOPMENT

Copies of the following documents may be inspected at the offices of Morgan Grenfell & Co. Limited, 72 London Wall, London, at The Royal Bank of Scotland plc, 22 Fettes Row, Edinburgh and at the Registered Office of the Company, during usual business hours on weekdays (except Saturdays and public holidays) up to and including 4th July, 1986:-

- (a) the Memorandum and Articles of Association of the Company;
 - (b) the Annual Report and Accounts of the WCRS Group for the financial years ended 30th April, 1984 and 30th April, 1985 and the interim report for the six months ended 31st October, 1985;
 - (c) the Accountants' Report on HBM Creanet set out in Part III and the statement of adjustments thereto;
 - (d) the letters set out in Part VI;
 - (e) the material contracts referred to in paragraph 6 above;
 - (f) the service contracts referred to in paragraphs 3(g) and (i) above; and
 - (g) the letters of consent referred to in paragraph 8(d) and (e) above.
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11th June, 1986

WIGHT COLLINS RUTHERFORD SCOTT (HOLDINGS) P.L.C.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 41:44 Great Queen Street, London WC2B 5AR on Friday, 4th July, 1986 at 10.00 a.m. for the purpose of considering and if thought fit passing the following resolutions:—

1. THAT the acquisition of the entire issued share capital of HBM Creamer upon the terms and subject to the conditions contained in the Acquisition Agreement dated 11th June, 1986 and made among the Company (1) WCRS (US), Inc. (2), HBM Creamer, Inc. (3) and D. Creamer, H. Strauss, E. Eskandarian and others (4) and the Rights Offer Agreement dated 11th June, 1986 and made among the Company (1) WCRS (US Holdings) Inc. (2), WCRS (US) Inc. (3) and Morgan Grenfell & Co. Limited (4), both as referred to in the letter to shareholders of the Company dated 11th June, 1986, be and it is hereby approved.
2. THAT:—
 - (a) the authorised share capital of the Company be 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 per cent. convertible cumulative redeemable preference shares 1999 of 10p each with the rights and restrictions set out in resolution 4; and
 - (b) the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum nominal amount of £2,841,218 (being the nominal amount of the authorised but unissued share capital of the Company immediately following the passing of this resolution), such authority (unless previously revoked or varied by the Company in general meeting) expiring on 3rd July, 1991, save that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date.
3. THAT subject to the passing of resolution 1 and to the approval of the Inland Revenue, the total number of shares which may be issued under the Company's Executive Share Option Scheme pursuant to rule 31 be increased to such number as shall be 10 per cent. of the Company's issued ordinary share capital following completion of the acquisition referred to in resolution 1 and the acquisition of FCO Limited.

SPECIAL RESOLUTIONS

4. THAT the Articles of Association of the Company be amended:—
 - (A) By the deletion of Article 3 in its entirety and the substitution therefor of the following new Article 3:—

"The authorised share capital of the Company at the date of the adoption of this Article is £3,600,000 divided into 23,000,000 ordinary shares of 10p each ("ordinary shares") and 13,000,000 55 per cent. convertible cumulative redeemable preference shares 1999 of 10p each ("convertible preference shares"). The rights and restrictions attaching to the convertible preference shares are as follows:—

 - (1) Income
The convertible preference shares shall confer on the holders the right to receive, out of the profits of the Company resolved to be distributed in priority to any payment of dividend to the holders of any other class of shares in the capital of the Company, a fixed cumulative preferential dividend at the rate of 55 per cent. per annum (exclusive of any imputed tax credit available to shareholders) on the capital for the time being paid up or credited as paid up thereon, to accrue on a daily basis and to be payable half-yearly in arrears by 2 equal instalments on 31st January and 31st July in each year, except that the first dividend shall be payable on 31st January, 1987 in respect of the period from 28th July, 1986 to 31st January, 1987 (both dates inclusive).
 - (2) Capital
The convertible preference shares shall confer on the holders the right to receive on a winding up or other repayment of capital (otherwise than on redemption) in priority to any payment to the holders of any other class

of shares in the capital of the Company, the sum (including a premium of 90p per convertible preference share) repaid shall be credited as paid up thereon together with all arrears, deficiencies or accruals of the fixed cumulative preferential dividend on such shares (whether earned or declared or not) calculated down to the date of such repayment of capital, but no further right to participate in any surplus capital of the Company.

(3) Conversion

- (a) Each holder of convertible preference shares may convert any number of such shares for the time being held by him as he may specify, into ordinary shares at the times and in the manner set out in this Article.
- (b) For the purposes of the following provisions of this Article, a "conversion date" shall be 31st August in the year 1987 and in each of the following years up to and including the year 1998 unless in any of such years the accounts of the Company for its last preceding accounting period shall not have been audited and sent to the holders of the convertible preference shares by 31st July in such year, in which case the conversion date for that year shall be the date falling 28 days after the date on which such accounts are so despatched, provided always that if any conversion date would otherwise fall on a Saturday, Sunday or a day which is a public holiday in England, such conversion date shall be the date of the next day which is not a Saturday, a Sunday or such public holiday.
- (c) The right to convert shall be exercisable on any conversion date by completing the notice of conversion endorsed on the certificate relating to the convertible preference shares to be converted or a notice in such other form as may from time to time be prescribed by the Directors in lieu thereof (a "conversion notice") and delivering the same to the registrars for the time being of the Company at any time during the period of 28 days ending on the conversion date, such period being hereinafter called a "conversion period", together with such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right.
- (d) A conversion notice duly completed and delivered may not be withdrawn except with the consent in writing of the Company.
- (e) The Company shall give to the holders of the convertible preference shares notice in writing not less than 4 nor more than 8 weeks prior to each conversion date reminding them of their right to convert and stating the applicable rate of conversion. Such notice shall give the name and address of the registrars of the Company and shall also, if the Directors have prescribed some form of conversion notice different from that endorsed on the certificates relating to the convertible preference shares, be accompanied by a copy of the conversion notice so prescribed.
- (f) On each conversion date, each holder of convertible preference shares shall be entitled to convert the convertible preference shares specified in a valid conversion notice into fully paid ordinary shares on the basis of 2.075p in nominal amount of ordinary shares for every 10p in nominal amount of convertible preference shares so converted.
- (g) Conversion of such convertible preference shares as are due to be converted on any conversion date ("relevant shares") shall be effected in accordance with the following provisions of this Article or in such other manner as may be authorised by law.
- (h) The Directors may elect to redeem at par plus a premium of 90p per convertible preference share the relevant shares on any conversion date out of profits of the Company which would otherwise be available for dividend in which case any conversion notice given by a holder of relevant shares shall be deemed to authorise and instruct the Directors to retain the redemption monies and to apply the same in the redemption on such holder's behalf of the appropriate number of ordinary shares at the applicable rate of conversion at

such premium (if any) as shall represent the amount by which the redemption monies exceed the nominal amount of the ordinary shares to be subscribed.

- (i) The Directors may elect to redeem at par plus a premium of 90p per convertible preference share the relevant shares on any conversion date out of the proceeds of a new issue in which case any conversion notice given by a holder of relevant shares shall be deemed (i) to appoint any person selected by the Directors as such holder's agent with authority to apply an amount equal to the redemption monies in respect of such relevant shares in subscribing on such holder's behalf for the appropriate number of ordinary shares at the applicable rate of conversion at par or at such premium as shall be necessary to provide the redemption monies for redemption at the aforesaid premium of the relevant shares and (ii) to authorise and instruct the Directors following the allotment of such ordinary shares to pay such redemption monies to such agent who shall be entitled to retain the same for his own benefit without being accountable therefor to such holder.
- (j) Fractions of ordinary shares arising on conversion will not be allotted to the holders of the relevant shares otherwise entitled thereto but such fractions will be aggregated and sold and the net proceeds of sale will be distributed *pro rata* among such holders unless in respect of any holding of relevant shares the amount to be so distributed would be less than £2, in which case such amount shall not be so distributed but will be retained for the benefit of the Company. For the purpose of implementing the provisions of this sub-paragraph, the Directors may appoint some person to execute transfers or renunciations on behalf of persons entitled to any such fractions and generally may make all arrangements which appear to them necessary or appropriate for the settlement and disposal of fractional entitlements.
- (k) The Company shall allot the ordinary shares resulting from conversion with effect from the relative conversion date and shall despatch to each holder of relevant shares, free of charge, certificates in respect of the ordinary shares arising on conversion within 14 days after such conversion date, together with certificates in respect of any part of the relevant holdings of convertible preference shares remaining unconverted and cheques for any money payable pursuant to paragraph (3)(j) above. In the meantime, transfers will be certified against the register of members of the Company.
- (l) The fixed cumulative preferential dividend on the convertible preference shares so converted shall cease to accrue from the last date for payment of such dividend immediately preceding the relative conversion date, and the ordinary shares which arise on such conversion shall rank *par passu* in all respects with the ordinary shares then in issue and shall entitle the holder to all dividends and other distributions paid or made on the ordinary shares by reference to a record date after the relative conversion date.
- (m) If immediately after any conversion date 75 per cent. or more of the convertible preference shares shall have been converted or redeemed, the Company shall be entitled (subject to the Companies Act 1985) by not more than 8 weeks' nor less than 4 weeks' notice in writing given not later than one month after such conversion date, to require all holders of the convertible preference shares to convert, on the expiry of such notice, the whole of their holding of convertible preference shares into ordinary shares at the applicable rate of conversion and, upon the expiry of the said notice, the holders of the convertible preference shares shall be treated as having exercised the right to convert in respect thereof as if the date of the expiry of such notice were a conversion date and as having duly completed and delivered a conversion notice and the provisions relating to conversion shall *mutatis mutandis* apply.

(4) Redemption

- (a) Where a holder of convertible preference shares has given, or is treated as having given, a conversion notice in respect thereof, such shares may be redeemed at par plus a premium of 90p per convertible preference share at the option of the Company in the manner and in the circumstances specified in paragraph (3) above. In the case of any such redemption, the redemption monies shall become payable on redemption but shall be applied in accordance with that paragraph.
- (b) The Company shall, subject to the provisions of the Companies Act 1985 and these Articles, redeem on 31st January, 1999 all of the convertible preference shares (if any) in issue on that date and the amount payable on redemption of each convertible preference share shall be the amount (including a premium of 90p per convertible preference share) paid up thereon together with a sum equal to all arrears of the fixed cumulative preferential dividend thereon to be calculated down to and including such redemption date and to be payable irrespective of whether or not such dividend has been earned or become due and payable.
- (c) As from such redemption date, the fixed cumulative preferential dividend shall cease to accrue on the convertible preference shares due for redemption except on any such convertible preference shares in respect of which, upon due presentation of the certificate relating thereto, payment of the money due at such redemption shall be refused.
- (d) At any time after the redemption of any convertible preference shares pursuant to paragraph (3) above or this paragraph (4), the Directors may convert the like amount of the authorised convertible preference share capital into shares of any other class or share capital of the Company.
- (e) The receipt of the registered holder for the time being of any convertible preference shares or, in the case of joint registered holders, the receipt of any of them for the monies payable on redemption thereof shall constitute an absolute discharge to the Company in respect thereof.

(5) Voting

- (a) The holders of the convertible preference shares shall have the right to receive notice of and to attend, either in person or by proxy, general meetings of the Company but shall not be entitled to vote thereat, either personally or by proxy, unless, at the time when notice of such meeting is sent to members, the fixed cumulative preferential dividend on such shares, or any part thereof, is in arrears for 6 months after any date fixed for payment thereof or if a resolution is to be proposed abrogating or varying any of the privileges of the holders of the convertible preference shares, in which event the convertible preference shares shall entitle the holders thereof to vote on such resolution only or for the winding up of the Company.
- (b) Whenever the holders of the convertible preference shares are entitled under this Article to vote upon any resolution, on a show of hands every holder thereof who, being an individual, is present in person or, being a corporation, is present by a representative or proxy shall have one vote and on a poll every holder thereof who is present in person or by proxy shall have one vote in respect of each fully paid convertible preference share registered in the name of such holder.
- (c) At any separate meeting of the holders of convertible preference shares, the provisions of these Articles as to quorum shall apply.

(6) Other provisions

So long as any convertible preference shares remain capable of being converted into ordinary shares then, without such consent or sanction

on the part of the holders of the convertible preference shares as is required for a variation of the rights attached to such shares:—

- (i) if any offer or invitation is made to holders of ordinary shares to subscribe or purchase shares or other securities, whether by way of rights or otherwise, the Company shall at the same time make or, so far as it is able, procure that there is made a like offer or invitation to each holder of convertible preference shares as if the same had already been converted in full into ordinary shares on the record date for such offer or invitation;
- (ii) if:—
 - (a) an offer is made to the holders of ordinary shares (or all such shareholders other than the offeror and/or any body corporate controlled by the offeror and/or persons acting in concert with the offeror) to acquire all or some of the ordinary shares or if any person proposes a scheme with regard to such acquisition; and
 - (b) no contemporaneous offer is made to the holders of the convertible preference shares which, in the opinion of the financial advisers of the Company, is fair and reasonable and in the interest of such holders,notice in writing to that effect shall immediately be given by the Company to the holders of the convertible preference shares and, so long as such offer remains open for acceptance, the conversion rights shall be exercisable at any time during such period and the provisions of paragraph (3) of this Article shall apply *mutatis mutandis* but so that for the purposes of paragraph (3) the conversion date shall be deemed to be the date on which the Company shall have received a duly completed conversion notice;
- (iii) if the Company makes any issue by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve) to holders of its ordinary shares, such issue shall be made only in the form of fully paid ordinary shares and the amount of ordinary share capital into which each convertible preference share is to be converted shall be increased in the same proportion as the nominal amount of ordinary share capital in issue after the said capitalisation issue bears to the nominal amount of such capital in issue immediately before it, provided that the Company shall not allot or issue any ordinary shares credited as fully paid by way of capitalisation of profits or reserves or otherwise if, as a result, the aggregate nominal amount of ordinary share capital into which any convertible preference shares may be converted would exceed the aggregate nominal amount of such convertible preference shares;
- (iv) if the Company sub-divides or consolidates the ordinary shares, the number of ordinary shares into which each convertible preference share is to be converted shall be increased or reduced in due proportion;
- (v) notice of any revised basis of conversion shall be sent to the holders of the convertible preference shares within 28 days after such capitalisation, sub-division or consolidation and such notice shall specify the number of ordinary shares into which each convertible preference share is to be converted on any subsequent conversion;
- (vi) the Company shall not reduce its capital or the amount (if any) for the time being standing to the credit of its share premium account or capital redemption reserve in any manner for which the consent of the Court will be required pursuant to the Companies Act 1985 or these Articles or for the purchase by the Company of any of its own shares;
- (vii) if the Company is placed in liquidation, the Company shall forthwith give notice thereof in writing to all holders of convertible preference shares and each holder of convertible preference shares shall in respect of all or any of his convertible preference shares be

entitled within 6 weeks after the date of the resolution for winding up the Company or, as the case may be, after the date of the order of the Court for such winding up (either of such dates being referred to in this paragraph as the "operative date") by notice in writing to the Company to elect to be treated as if his conversion rights had been exercisable and had been exercised immediately before the operative date on the basis of conversion as provided in this Article. In that event, he shall be entitled to be paid in satisfaction of the amount due in respect of such of his convertible preference shares as are to be treated as if converted a sum equal to the amount to which he would have become entitled in such liquidation if he had been the holder of the ordinary shares to which he would have become entitled by virtue of such conversion, fractions being disregarded for this purpose, together with any arrears, deficiency or accrual of the fixed cumulative preferential dividend on such convertible preference shares as at the operative date. On the expiry of the said period of 6 weeks, any outstanding convertible preference shares shall cease to be capable of conversion;

(viii) the Company shall not modify, vary, alter or abrogate the rights attaching to the ordinary shares without the consent of the holders of the convertible preference shares as a class obtained in a manner as provided in these Articles;

(ix) the Company shall not create, issue or permit to be created or issued any equity share capital (as defined in section 744 Companies Act 1985) which is not in all respects uniform with the ordinary share capital in issue at the date of allotment of the convertible preference shares, save:—

- (a) as to the date from which such capital shall rank for dividend; or
- (b) for ordinary shares issued in connection with or pursuant to any employees' share scheme approved (whether before or after the date of the passing of this resolution) by the Company in general meeting; or
- (c) for equity share capital which has attached thereto rights which in no respect are more favourable than those attached to the ordinary shares in issue at the date of adoption of this Article;

and no rights shall be granted by the Company to subscribe for or convert shares or other securities into any such equity share capital save as aforesaid;

(x) any alteration to the borrowing limit from time to time imposed on the Directors by these Articles shall be deemed to be a variation of the special rights attached to the convertible preference shares;

(xi) the Company shall not without such consent or sanction on the part of the holders of the convertible preference shares as is required for a variation of the rights attached to such shares change its accounting reference date from 30th April in each year;

(xii) the Company shall procure that at all times prior to the last conversion date there shall be sufficient authorised but unissued ordinary share capital available for the purposes of satisfying the requirements of any conversion notice as may be delivered pursuant to paragraph (3) of this Article; and

(xiii) the Company shall apply to the Council of The Stock Exchange for, and use its best endeavours to obtain, the admission to the Official List of all ordinary shares arising from conversion of the convertible preference shares."

(B) By the deletion of the number "10" in Article 82 and the substitution therefor of the number "15".

5. THAT the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred by resolution 2 as if section 89 (1) of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to:-
- (i) the allotment of equity securities in connection with a rights issue in favour either of ordinary shareholders or of both ordinary shareholders and any other shareholders in the Company where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under any law or requirement of any regulatory authority; and/or
 - (ii) the allotment of up to 382,164 ordinary shares in the Company for the purposes of the placing referred to on page 10 of the letter to shareholders of the Company dated 11th June, 1986; and/or
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £180,000.
6. THAT the name of the Company be changed to "The WCRS Group plc."

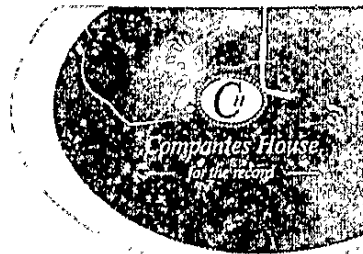
By Order of the Board
J. H. McKIMMIE
Secretary

Registered Office:-
41/44 Great Queen Street,
London WC2B 5AR

11th June, 1986

Notes:-

- (1) A member entitled to attend and vote at the above-mentioned Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) To be effective, the Form of Proxy must be returned so as to reach the Company's registrars not later than 48 hours before the time for which the meeting is convened.



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NOTICE OF ILLEGIBLE DOCUMENTS

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

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

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

COMPANY INFORMATION SUPPLIED BY COMPANIES HOUSE

Companies House is a registry of company information. We carry out basic checks to make sure that documents have been fully completed and signed, but we do not have the statutory power or capability to verify the accuracy of the information that companies send to us. We accept all information that companies deliver to us in good faith and place it on the public record. The fact that the information has been placed on the public record should not be taken to indicate that Companies House has verified or validated it in any way.