WPP Group plc

Report and Accounts

For the year ended 31st December 1987

Contents

Thoughts and Trends

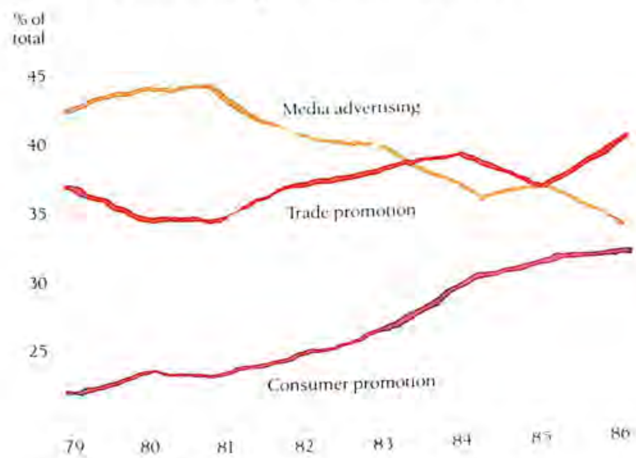
As O'Reilly (Tony O'Reilly, President and Chief Executive Officer, H.J. Heinz Company) explains *"this (spending heavily on marketing) is a virtuous cycle of success where greater marketing expenditures result in additional growth and future margin expansion, which in turn permit increased marketing expenditures."*

FORTUNE MAGAZINE, 25th APRIL, 1988

"There's a new position that marketers are just now realising needs to be filled, and filling it will be one of their most important challenges. The position is . . . 'a marketing communications consultant.' That's someone who can decide how the total communications pie – advertising, sales promotion, public relations, direct marketing and the rest – should be divided; who can ensure a consistent message across these assorted media and who can manage the entire marketing communications programme."

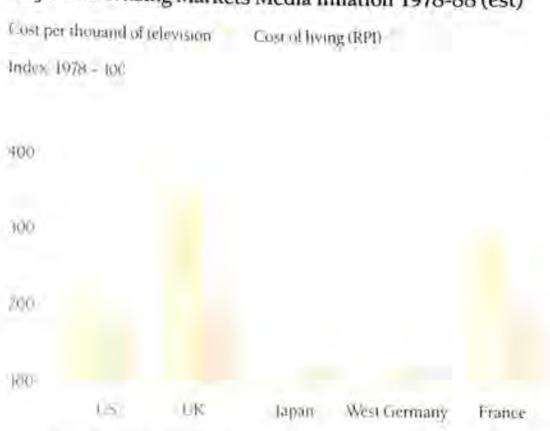
ALVIN ACHENBAUM, CHAIRMAN, CANTER, ACHENBAUM, ASSOCIATES INC.
ADVERTISING WEEK, 11th APRIL, 1988

US Advertising and Promotional expenditure



Source: Donnelley Marketing

Major Advertising Markets Media Inflation 1978-88 (est)



Source: Department of Employment; J Walter Thompson Company, Worldwide Media Department

"History has always shown that media inflation is higher than national inflation, so our spending will be pushed up so high that it will affect consumer prices. We have been looking long-term at changing our ways of traditional marketing, traditional advertising and buying network television and so on.

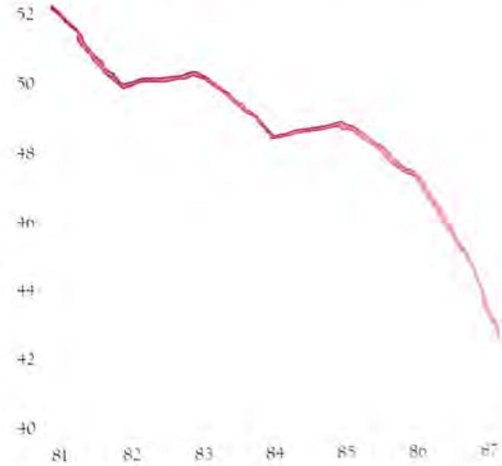
We are evaluating now, shorter-term, how we can cut down. We are looking at the target markets. Other advertisers are doing the same thing, you see them move into sponsorship and programming, all related to trying to find narrower target groups."

MICHEL REINARZ, DIRECTOR OF VISUAL COMMUNICATIONS, NESTLÉ SA, ADVERTISING AGE, 11th APRIL, 1988

"Wright (Robert Wright, President of NBC) forecasts heavy weather because he thinks the audience for network TV, already distracted by the VCRs, cable services and independent stations, will continue to shrink substantially."

FORTUNE MAGAZINE, 14th MARCH, 1988

US TV Network Share of Audience 1981-87



Source: A.C. Nielsen Data for prime-time network viewing

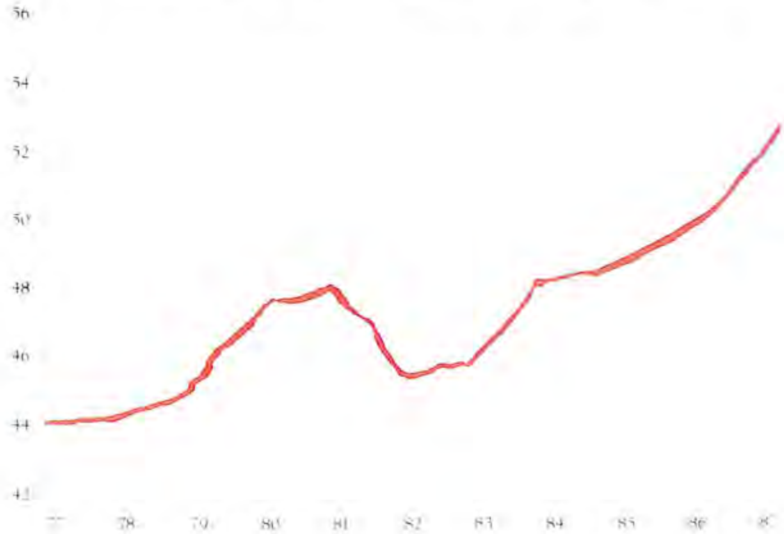
"The (UK) commercial television industry has become extraordinarily inefficient. There is no doubt whatsoever it constitutes an unsatisfactory use of the monopoly resources granted to it."

CHARLES JONSCHER, VICE PRESIDENT, BOOZ ALLEN & HAMILTON
FINANCIAL TIMES, 19th APRIL, 1988

"There is a realisation by both the clients and the agencies that the era of double-digit inflation which protected everyone is gone forever, and agencies are now having to learn to live lean and mean, as clients have learned to do over the last few years. So what you're seeing now is a restructuring of agency organisation to match the client."

MARVIN SOLOMON, VP-MARKETING SERVICES, WARNER-LAMBERT & CO
ADVERTISING AGE, 6th APRIL, 1987

Top Ten Advertising Agencies Worldwide Market Share 1977-87



Source: Advertising Age

"The agency business is a business like other businesses. It has its own economic pressures and considerations, and what is fundamentally driving it is the desire to acquire economies of scale."

PETER MITCHELL, EXTERNAL AFFAIRS DIRECTOR, GUINNESS PLC
ADVERTISING AGE, 11th APRIL, 1988

Corporate Strategy

Strategic Service Vision

To become *the* major multi-national marketing services company to service the increasingly complex and international needs of our clients – the major national and multi-national companies.

By providing a comprehensive and, where necessary, integrated range of media and non-media marketing services of the highest quality to meet clients' strategic and tactical marketing needs.

Through a dominant presence, not only in the major consumer markets of the world but also in the smaller but more rapidly developing worldwide markets.

Through this focused operating strategy, and through a lean organisation and limited hierarchy, to provide stimulating career opportunities in all these areas for young, energetic and talented professionals who are primarily concerned with the qualitative aspects of their work. At the same time, to seek to provide incentive and financial reward and minimise the separation between ownership and control, between manager and entrepreneur, and between **'hunter'** and **'farmer'**, by encouraging as many as possible to own a significant share of the company, either directly or indirectly.

Progress so far

1986, the first full year following our change in strategic direction from manufacturing to services, saw the company build a dominant position in the United Kingdom in non-media advertising and develop a strong base in specialist communications in the United States.

The organic growth achieved during 1987, together with major developments by acquisition concluded at the same time, will now enable us to achieve our strategic objective more rapidly and more effectively.

Financial Strategy

To increase earnings per share by at least 20% per annum through organic growth, including improvement in market share and profit margins.

To enhance this growth by acquiring companies that fit our strategic service vision and that can be acquired on financial terms that significantly enhance earnings per share.

To maximise the cash flow of the Company and to limit capital expenditure to that level required to maintain its long-term competitive position.

To pay out, in the long term, one-third of after-tax earnings in dividends to shareholders.

David Maister, of Maister Associates and a former Associate Professor at the Harvard Business School, who specialises in the management of professional service firms, divides the most successful organisations amongst professional service businesses into two distinct and contrasting types of firms – "hunters" and "farmers." The former are designed to capture and capitalise on the benefit of individual (or small group) entrepreneurialism; the latter to obtain the advantages of collaboration, strategy and focus. Here are the basic concepts of each:

Basic Concept	**Hunters**	**Farmers**
Central Principle	Individual (or Small Group) Entrepreneurialism	Firmwide Collaboration
Key Strengths	Diversity Flexibility	Focus Strategy
Internal Atmosphere	Competitive	Collaborative
Management Style	Bottom-Line Numbers Focus	"Values" "Mission"
Self-Image	Streetfighters	Team Players
Leader	Best Hunter	High Priest
Decision-Making	Decentralised (Autonomous)	Co-ordinated (Interdependent)

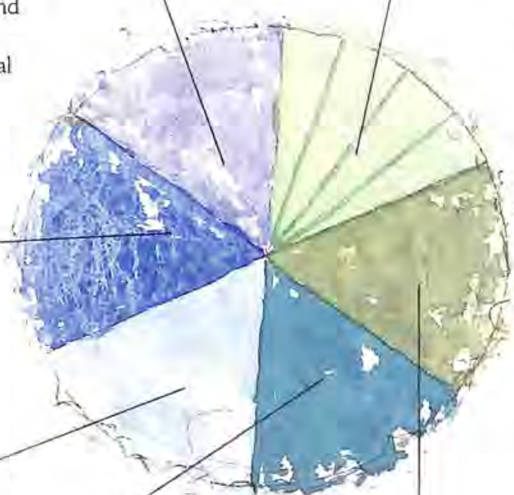
Group Services

The demand for outside services, of the kind traditionally provided by advertising agencies and design consultants, continues to grow. So, too, does the range of such services – at WPP we have identified five distinct categories, which benefit from central Strategic Marketing direction.

It is in the nature of specialised services companies to excel in one such category but seldom if ever in all.

Within the WPP Group there are now specialist companies providing all the marketing service skills required by national and multi-national clients. These companies are encouraged to retain their own identities and sharpen their own professional skills. In many cases, their principals are their founders. Their businesses and their reputations have been built on their own talents, and the names of their clients are testimony to the quality of their service.

Strategic Marketing Services
- Communication tactics
- Concept and brand auditing
- Economics and econometric applications
- Expert systems
- Market forecasts
- Product development and brand positioning
- Total environment, social and policy analysis
- Various monthly and quarterly publications



Media Advertising
- Global, multi-national and national packaged goods, consumer goods, services, and corporate advertising.

Non-Media Advertising

Graphics & Design
- Architectural services
- Corporate and brand identification
- Exhibition and display
- Furniture, industrial and product design
- Interior design and installation
- Packaging
- Promotional and informative material
- Space analysis and planning

Incentive & Motivation
- Business entertainment
- Corporate seminars
- Destination management
- Incentive and conference programmes and travel
- Travel-based and voucher product promotions

Sales Promotion
- Consultancy
- Coupon redemption
- On-pack offers
- Point-of-sale
- Premium schemes
- Self-liquidating promotions
- Trade promotions

Audio Visual & Video Communications
- Demonstrations, exhibitions and conferences
- Equipment installation, servicing and hire
- Presentations, product launches and trade shows
- Production, editing and standard transfer
- Training and recruitment

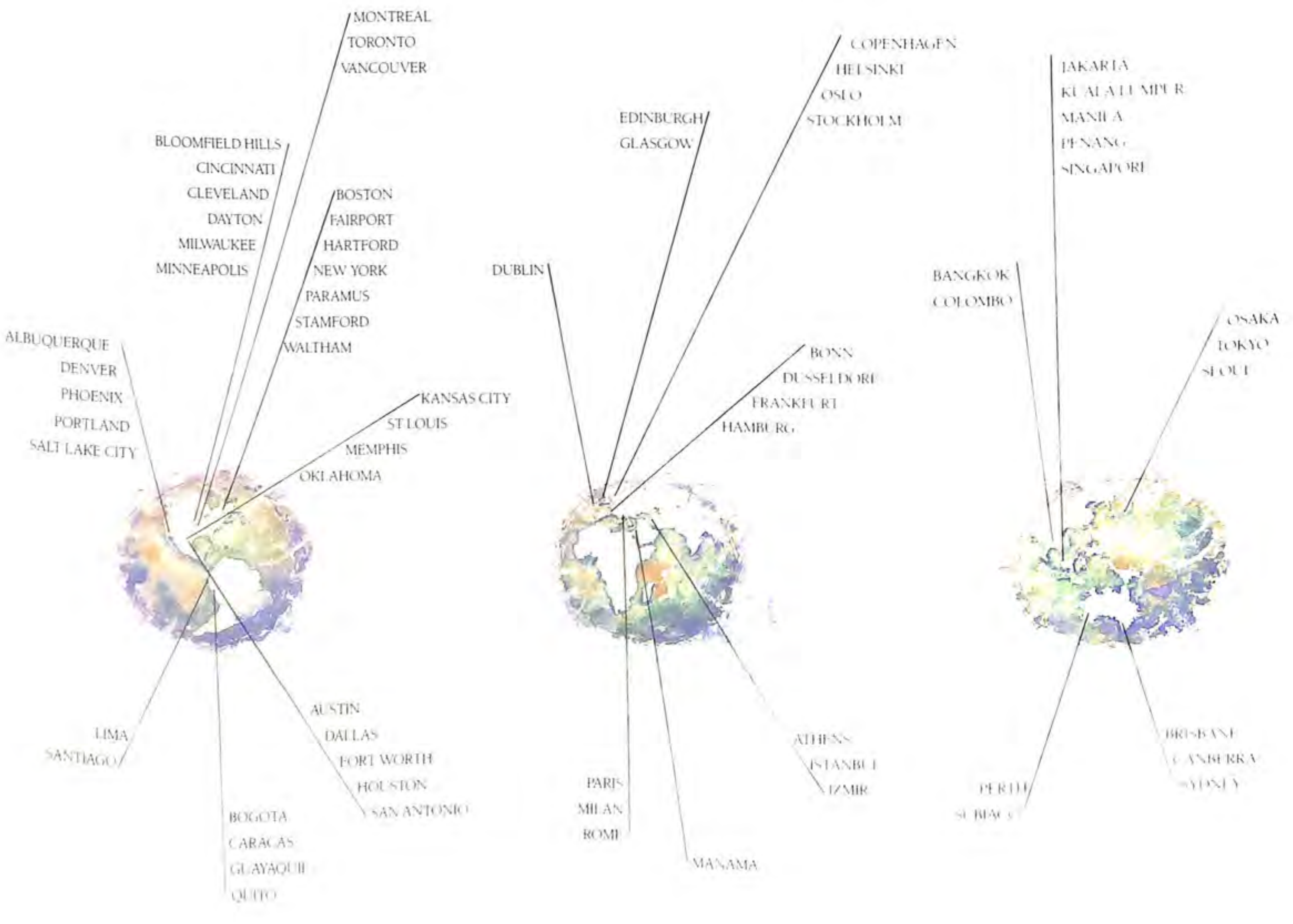
Public Relations
- National and international corporate communications
- Crisis communications, problem diagnosis and solution
- New product launches
- Public affairs

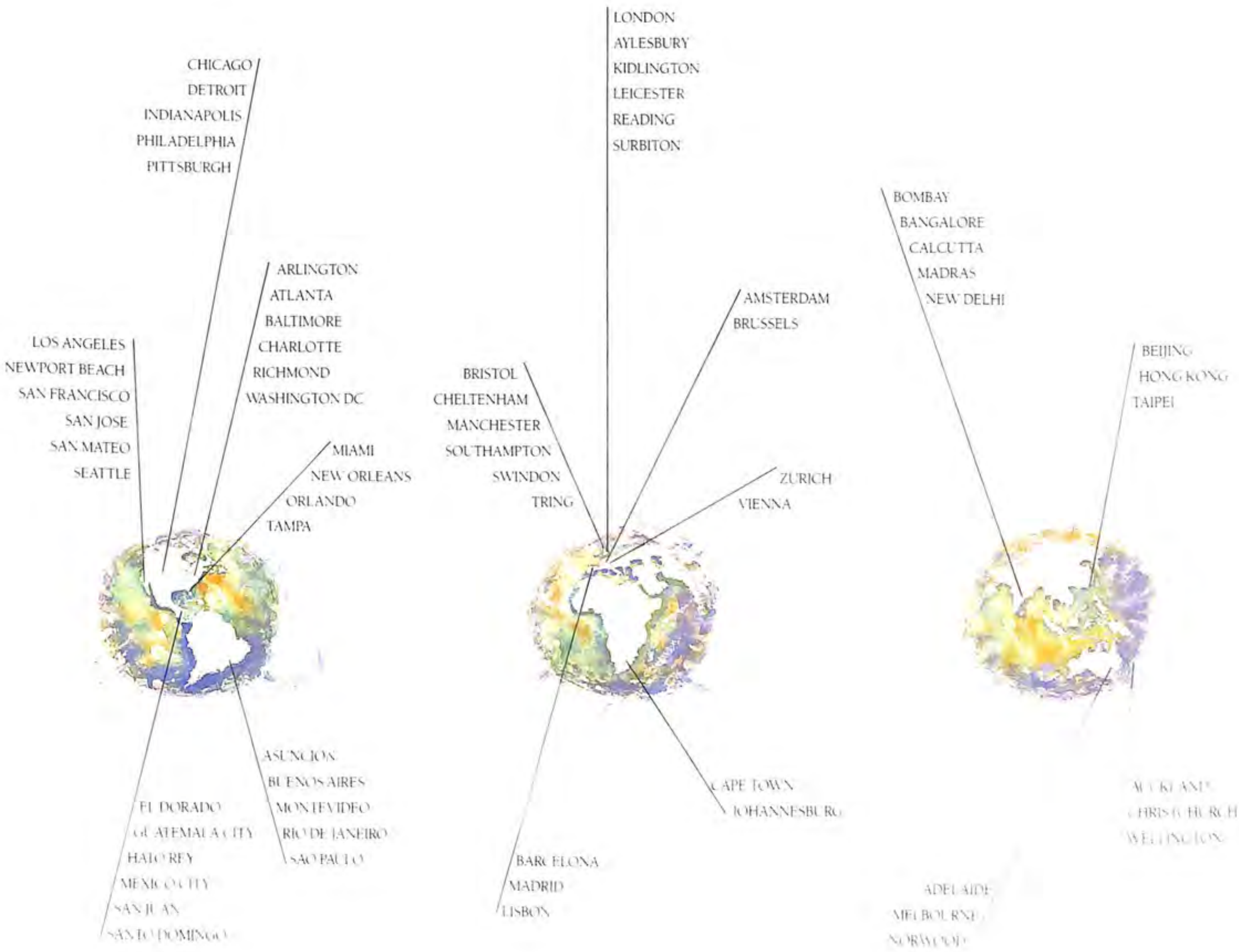
Market Research
- Advertising development, pre-testing and evaluation
- Consumer, media, corporate communication, and policy research
- Design and management of basic, large-scale and international market studies
- New product development and product testing

Specialist Communications
- Annual reports
- Copywriting, design, production and distribution of promotional material for specific target audiences
- Corporate identity
- Crisis management and crisis response
- Direct mail advertising
- Ethnic group, business-to-business, entertainment, pharmaceutical, travel, recruitment, retail and flotation advertising
- Investor communications

Worldwide Activity

In Media Advertising WPP Group has 107 offices in 46 countries; in Public Relations, 61 offices in 22 countries; in Market Research, 17 offices in 7 countries; in Non-Media Advertising, 40 offices in 7 countries; and, in Specialist Communications, 63 offices in 13 countries.



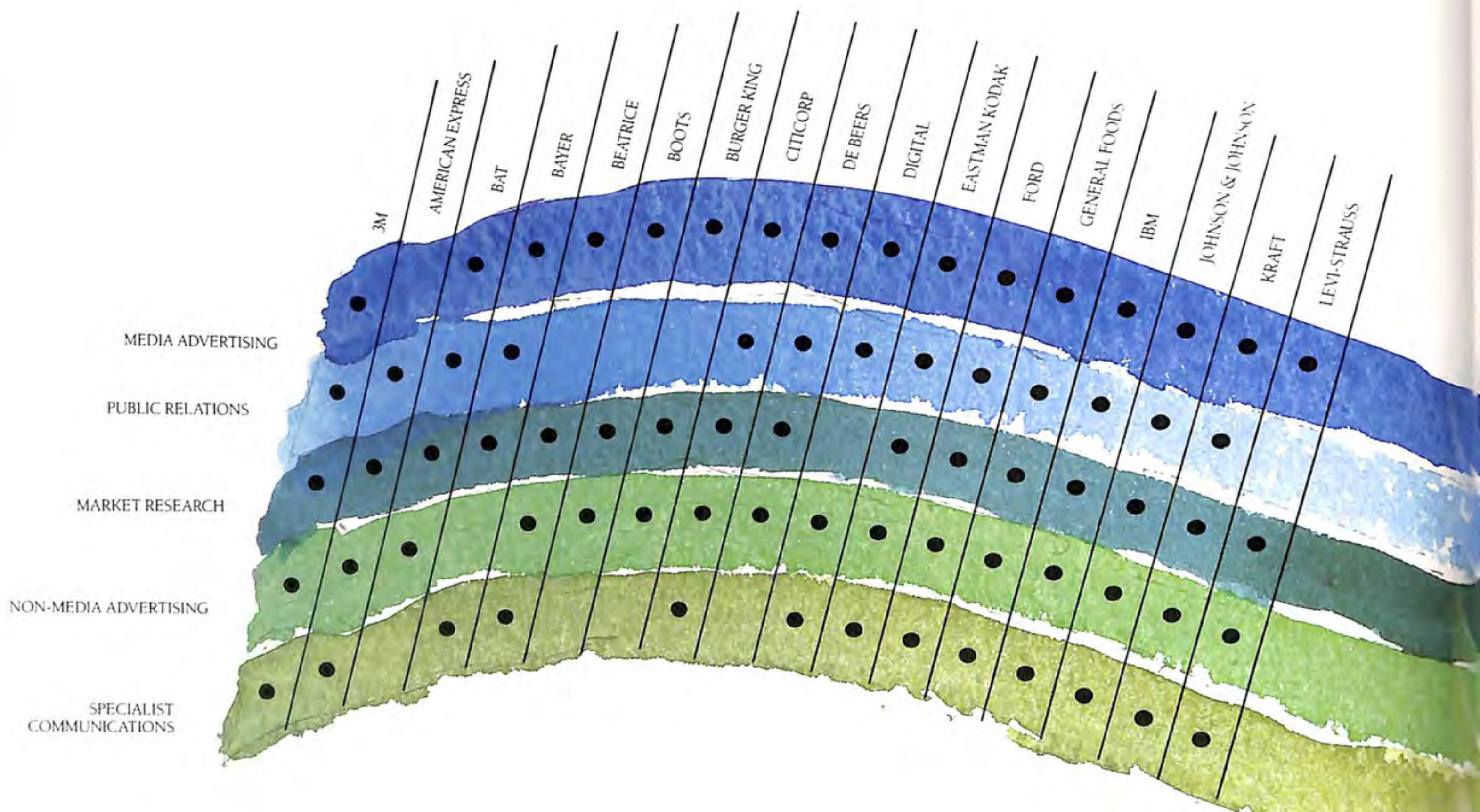

CHICAGO
DETROIT
INDIANAPOLIS
PHILADELPHIA
PITTSBURGH
ARLINGTON
ATLANTA
BALTIMORE
CHARLOTTE
RICHMOND
WASHINGTON DC
LOS ANGELES
NEWPORT BEACH
SAN FRANCISCO
SAN JOSE
SAN MATEO
SEATTLE
MIAMI
NEW ORLEANS
ORLANDO
TAMPA
ASUNCION
BUENOS AIRES
MONTEVIDEO
RIO DE JANEIRO
SAO PAULO
EL DORADO
GUATEMALA CITY
HATO REY
MEXICO CITY
SAN JUAN
SANTO DOMINGO
LONDON
AYLESBURY
KIDLINGTON
LEICESTER
READING
SURBITON
BRISTOL
CHELTENHAM
MANCHESTER
SOUTHAMPTON
SWINDON
TRING
AMSTERDAM
BRUSSELS
ZURICH
VIENNA
CAPE TOWN
JOHANNESBURG
BARCELONA
MADRID
LISBON
BOMBAY
BANGALORE
CALCUTTA
MADRAS
NEW DELHI
BEIJING
HONG KONG
TAIPEI
AUCKLAND
CHRISTCHURCH
WELLINGTON
ADELAIDE
MELBOURNE
NORWOOD

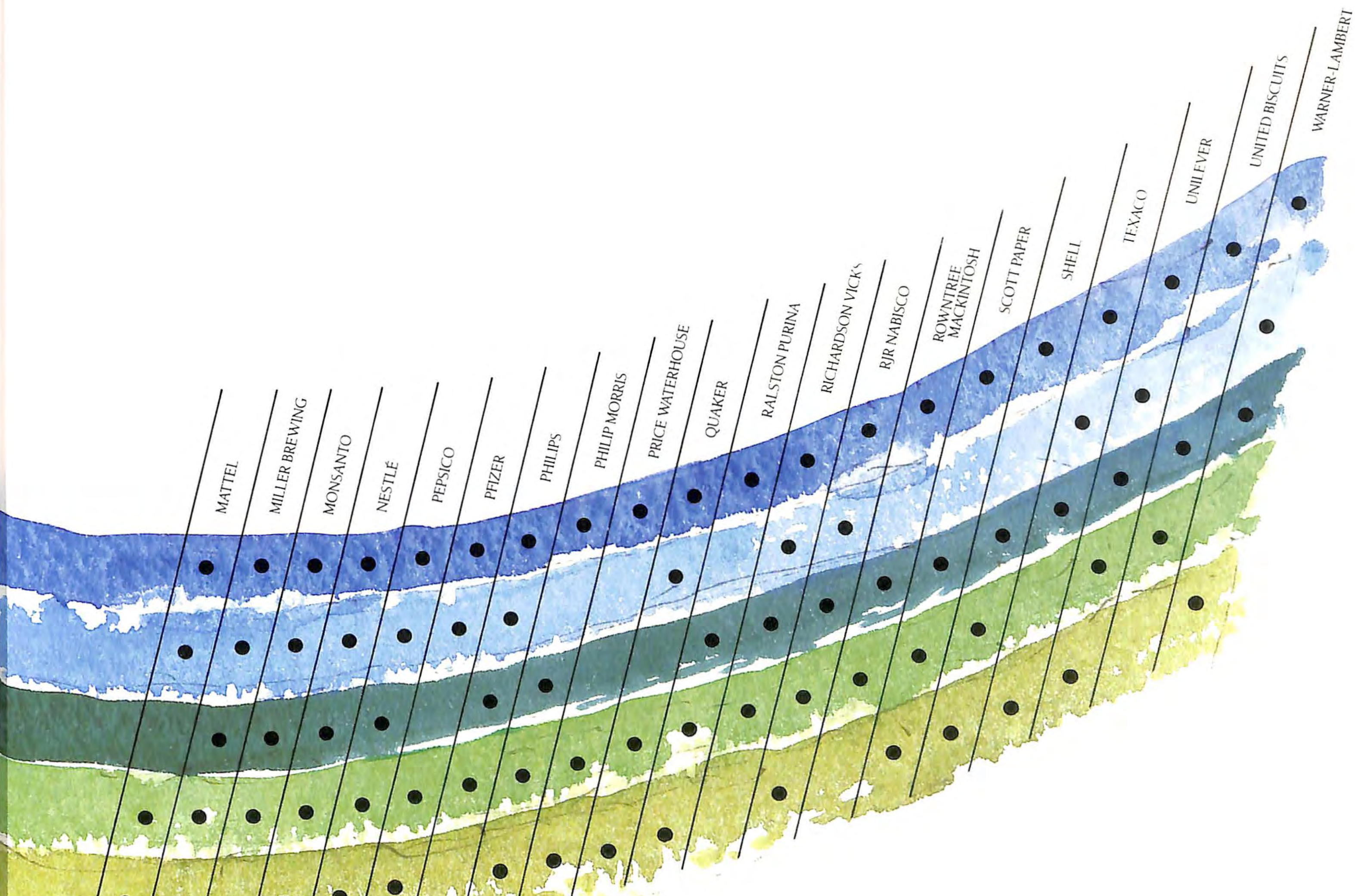
Client Services

In October 1986 WPP Group worked with 10 clients in two or more services.

By July 1987 WPP Group worked with 60 clients in two or more services, and 30 clients in three or more services.

Currently, WPP Group works with 214 clients in two or more services, 85 in three or more services, and 14 in five services. In addition, WPP Group works with 178 clients in the Fortune 500.





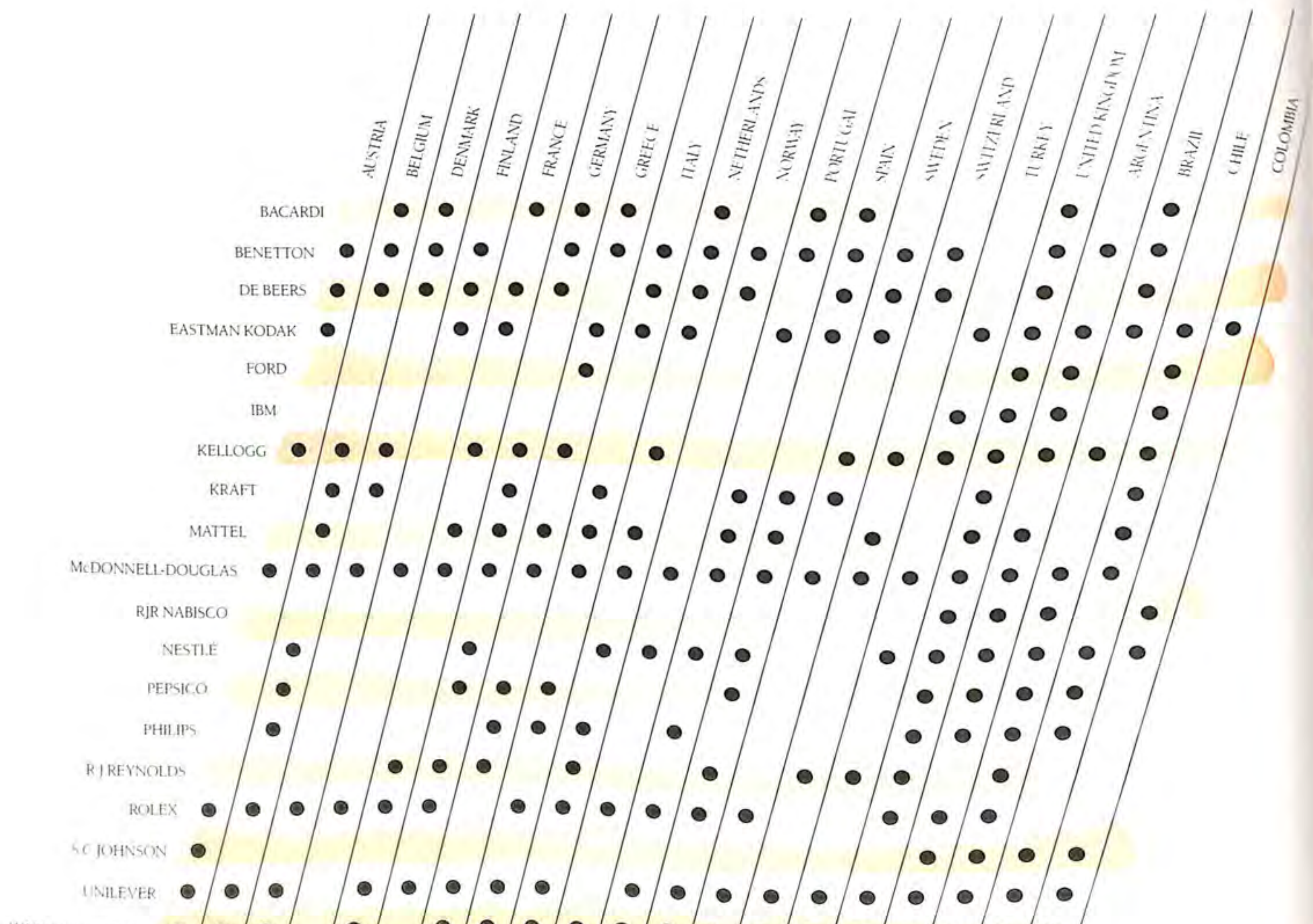
MATTEL
MILLER BREWING
MONSANTO
NESTLÉ
PEPSICO
PFIZER
PHILIPS
PHILIP MORRIS
PRICE WATERHOUSE
QUAKER
RALSTON PURINA
RICHARDSON VICKS
RJR NABISCO
ROWNTREE MACKINTOSH
SCOTT PAPER
SHELL
TEXACO
UNILEVER
UNITED BISCUITS
WARNER-LAMBERT

Clients Worldwide

In October 1986, WPP Group worked with 7 clients in 2 countries.

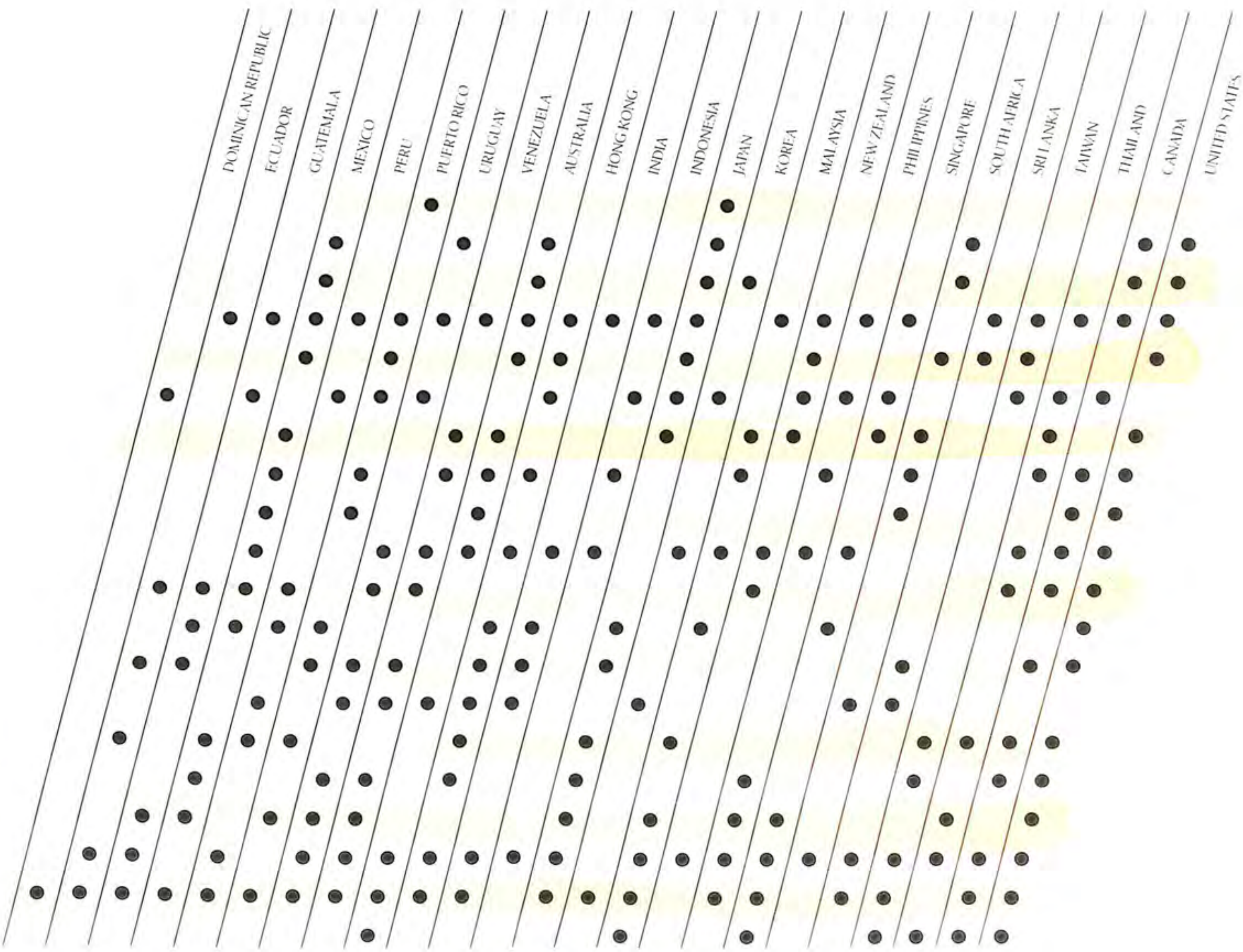
By July 1987, WPP Group worked with 114 clients in three or more countries.

Currently, WPP Group works with 144 clients in three or more countries, 20 clients in 10 or more countries, 12 in 20 or more countries and 4 in 30 or more countries.



Sales by Clients' Geographical Activity

12% GLOBAL
48% MULTI-NATIONAL
40% NATIONAL

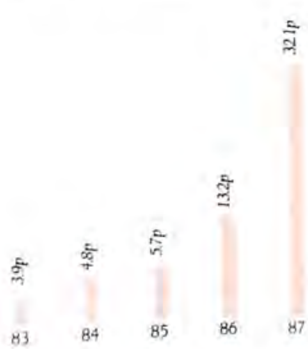


Results in Brief

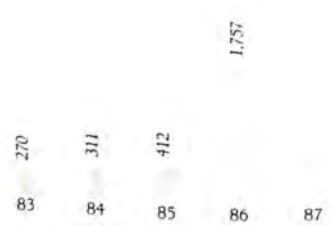
	1987	1986	%
	£000	£000	*increase*
Turnover	284,082	23,685	*1,099%*
Operating Profit	21,454	1,422	*1,409%*
Profit before Taxation	14,117	1,757	*703%*
Profit after Taxation	7,307	1,144	*539%*
Profit attributable to the Shareholders	7,085	1,101	*544%*
Earnings per 10p Ordinary Share	32.1p	13.2p	*143%*
Earnings per ADS	$1.08	$0.44	*143%*
Dividend per 10p Ordinary Share	6.4p	3.2p	*100%*
Dividend per ADS	$0.22	$0.11	*100%*
Operating Margins*	7.5%	5.5%	*36%*
Pre-Tax Margins*	4.5%	2.5%	*80%*

**Pro-forma Basis*

Earnings per Share
(Adjusted for effect of rights issue in August 1987)

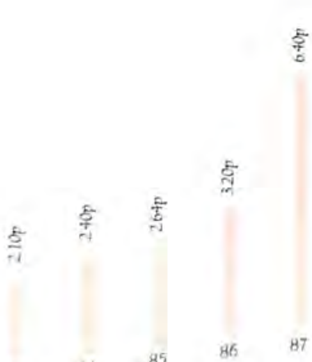


Profit before Tax
(£000)



Turnover
(£000)

Dividends per Share



Revenue per Employee (£)

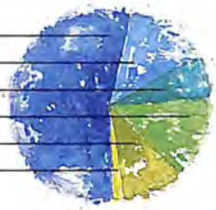
**Includes JWT Group from 13th July 1987*

Profit before Tax per Employee (£)

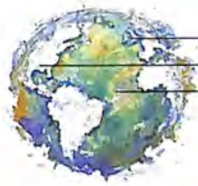
Financial Highlights

Sales by Activity*
**Pro-forma Basis*

MEDIA ADVERTISING 54%
PUBLIC RELATIONS 13%
MARKET RESEARCH 7%
NON-MEDIA ADVERTISING 14%
SPECIALIST COMMUNICATIONS 11%
MANUFACTURING 1%



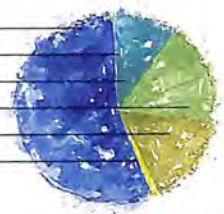
Sales by Geography*
**Pro-forma Basis*



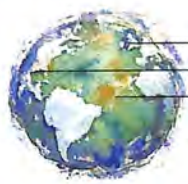
20% UNITED KINGDOM
58% UNITED STATES AND CANADA
22% REST OF THE WORLD

Profit by Activity*
**Pro-forma Basis*

MEDIA ADVERTISING 55%
PUBLIC RELATIONS (1%)
MARKET RESEARCH 10%
NON-MEDIA ADVERTISING 18%
SPECIALIST COMMUNICATIONS 17%
MANUFACTURING 1%



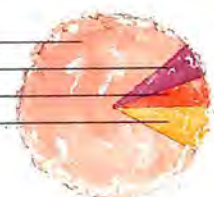
Profit by Geography*
**Pro-forma Basis and after Interest*



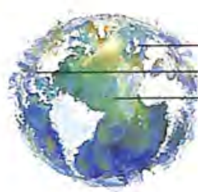
35% UNITED KINGDOM
34% UNITED STATES AND CANADA
31% REST OF THE WORLD

Shareholders by Type

PENSION FUNDS, INSURANCE & INVESTMENT COMPANIES 80%
INDIVIDUALS 6%
OTHERS 5%
EMPLOYEES 9%



Shareholders by Country

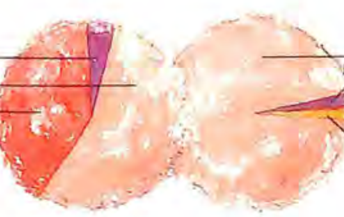


80% UNITED KINGDOM
9% EUROPE
10% UNITED STATES AND CANADA
1% OTHERS

1987 Cashflow by Item

CASH IN £387.3 million

CASH FROM PRE TAX PROFITS PLUS DEPRECIATION £20.9 million
SHARE ISSUES £205.2 million
LOAN PROCEEDS £161.2 million



£373.9 million CASH OUT

£360.5 million ACQUISITION OF SUBSIDIARIES
£5.5 million TAX PAID
£0.3 million DIVIDENDS PAID
£7.6 million PURCHASE OF FIXED ASSETS

Increase in net cash £13.4 million

Chairman's Statement

Results

I am happy to report that 1987 was the fifth successive year of growth.

In 1987, sales rose from £23.7 ($39.8) million to £284.1 ($477.3) million. Profit before tax rose by more than eight times to £14.1 ($23.7) million, and earnings per share by 143% from 13.2p to 32.1p (44.4c to 107.9c per ADS) after adjusting for the rights issues in July 1987 and August 1986. The Directors are recommending a final dividend of 4.9p, making a total for the year of 6.4p, double last year.

On a directly comparable basis, operating margins have improved from 5.5% to 7.5%. This resulted from an improvement in operating efficiency and, more significantly, from an improvement in the margins of J Walter Thompson Company and Hill and Knowlton since their acquisition in July 1987, not only reflecting closer attention to costs but also revenues in excess of expectations particularly in the last quarter of 1987. In addition, several of our other companies performed particularly well including Sidjakov Berman Gomez and Partners, Walker Group/CNI, Sampson/Tyrrell, Scott Stern Associates, Business Design Group and MetroVideo in non-media advertising and Pace Communications in specialist communications.

On the same basis, pre-tax margins rose from 2.5% to 4.5% reflecting improved liquidity, and at the year end the Group had net debt of £107.3 million ($201.6 million). Accordingly, net debt was approximately £32 million ($60 million) less than that incurred in the acquisition of JWT Group, even after subsequent acquisition payments of £13.4 million ($25 million).

Following the acquisition of JWT Group, your Board has carefully reviewed the assets of the Group and is considering disposal of certain assets which are either surplus to trading requirements or where the opportunity cost of continued ownership is excessive because of returns available elsewhere. Since the year end, several offers have been received for Group freehold properties. An offer of 25 billion Yen (£109 million, $205 million) has been received for the Group's Tokyo property and further indications of interest have been received. In addition, several offers have been received for other Group properties in Sydney, Australia and Tampa, Florida totalling £10 million ($18.8 million). Your Board has decided to accept these offers and has completed sales in Sydney and Tampa, and is considering what action to take on the other offers. On a conservative basis and after full provision for tax, these sales combined would realise $100 million in cash and result in approximately the same increase in net assets.

These results reflect organic growth rates of over 10% in media advertising, 15-20% in public relations and market research, over 20% in non-media advertising and specialist communications, and 10% in manufacturing, together with a first time contribution from a series of acquisitions in the last year which have established the Company as the world's fourth ranked marketing services company. The Company is now the fourth largest advertising group in the world, the largest public relations company in the world, the sixth largest market research company in the world and probably the largest non-media advertising and specialist communications company in the world.

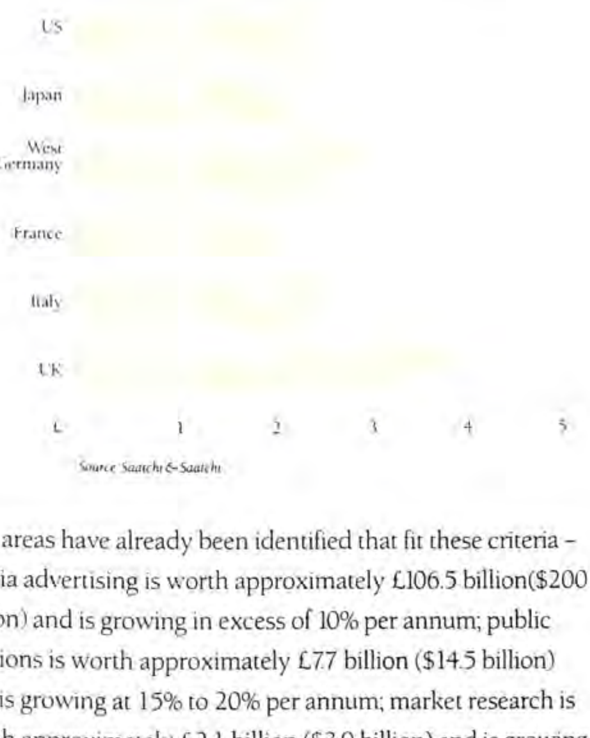
Strategy

These results are also an indication of the potential benefits from achieving the Group's strategic objective of becoming *the* (a small change from last year) major multi-national marketing services company by identifying sectors that are large, rapidly growing, fragmented offering opportunities for growth through acquisition, and overlooked by competitors.

In the 1970's and 1980's our competitors, largely the major multi-national advertising agencies, were slow to respond to the increasing geographical expansion and functional complexity of our clients, the major national and multi-national corporations. Too often their response to clients' problems was based on their expertise which was concentrated in media – particularly television advertising. Clients have become increasingly sceptical of the power of television media, particularly as its effective cost has risen sharply as audiences decline and media inflation outpaces the consumer price index. It is increasingly the role of the advertising agency (a misnomer as they no longer concentrate, or should concentrate, on advertising and technically act as principal not agent) to act as its clients' business partner and be able to advise them on marketing strategy and creative execution.

Television Advertising

Cost per thousand adults for 30 seconds at peak rates, 1986



Source Saatchi & Saatchi

Five areas have already been identified that fit these criteria – media advertising is worth approximately £106.5 billion($200 billion) and is growing in excess of 10% per annum; public relations is worth approximately £7.7 billion ($14.5 billion) and is growing at 15% to 20% per annum; market research is worth approximately £2.1 billion ($3.9 billion) and is growing at 15% to 20% per annum; non-media advertising is worth approximately £117.1 billion ($220 billion) – more than media advertising – and is growing at 20% to 30% per annum; and specialist communications is worth approximately £29.4 billion ($55.2 billion) and is growing at 20% to 25% per annum.

In all these markets the United States represents approximately 50% of worldwide expenditure, with the United States, Japan, United Kingdom, France and Germany accounting for approximately 80% of worldwide expenditure. Put another way, the United States represents a market five to eight times bigger than even other well-developed markets. However, it is likely that in the future it is the markets outside the United States that will provide greater relative growth opportunities, reflecting the deregulation of television media, the internalisation of the Common Market in 1992, the high relative growth rates of the Iberian Peninsula, Southern Mediterranean, Latin America and Asia Pacific.

New Business

In the glare of the publicity that surrounded the acquisition of JWT Group it was only natural that media attention would focus on the account losses of its biggest constituent part, the J Walter Thompson Company, whether these occurred as a result of events before or after the acquisition.

J Walter Thompson Company has an old-fashioned, or what might be called highly professional, attitude to gaining new business, namely it publicises its clients' business not its own. In fact, during 1987, the revenues of the JWT Group as a who le increased to $700 million from $645 million in 1986. In terms of billings, although the J Walter Thompson Company lost a total of $450 million in 1987, the agency alone gained more than $330 million. The net loss of $120 million in billings represents only 2% of the Group's pro-forma revenues of $900 million, assuming 15% of agency commission.

Amongst new assignments won last year in each division were:

Media Advertising

Benetton, British Telecom, Chase Manhattan Bank, Diners Club, Ford, General Electric, IBM, Jacobs Suchard, Kellogg, Kodak, Kraft, Mattel, Miller Brewing, Nabisco, National Westminster Bank, Nestlé, Paramount, PepsiCo, Philips, Quaker Oats, RJ Reynolds, Tenneco, Unilever, Warner-Lambert.

Public Relations

Allegis, Allied Signal, Baxter Travenol, Beecham, British Airways, Ciba Geigy, Co-operative Retail Society, De Beers, Eli Lilley, Gallaher, General Foods, General Electric, Goldman Sachs, Hertz, Hitachi, Holiday Inns, ICI, Jacobs Suchard, Johnson & Johnson, Kodak, Monsanto, NEC, New York Stock Exchange, PepsiCo, Perrier, Post Office, RJ Reynolds, Rhone Poulenc, Schering-Plough, Standard and Poors, Tate & Lyle, Yamaha.

Market Research

American Express, Beecham, De Beers, IBM, Jacobs Suchard, Johnson & Johnson, Kodak, Miller Brewing, Nestle, PepsiCo, RJ Reynolds, Warner-Lambert.

Non-Media Advertising

Air Canada, American Express, Amersham International, Beatrice, Boots, British Gas, BP, British Telecom, Campeau, Currys, Daiwa, Ford, Gillette, Kodak, KP, Legal & General, Liberty Mutual, Lucky Stores, Magnet & Southerns, Monsanto, Neiman Marcus, Oxford Instruments Limited, Paine Webber, Post Office, Price Waterhouse, Quaker Oats, Reebok, Rowntree Mackintosh, J. Sainsbury, Shearson Lehman, Tenneco, The Limited, Trustee Savings Bank, Unilever, Walt Disney, Yardley.

Specialist Communications

Beatrice, Beecham, Ford, General Foods, Johnson & Johnson, Kraft, Miller Brewing, Paramount, Paine Webber, Shearson Lehman, Sterling Drug, Texaco, Unilever, Warner-Lambert.

Recent developments

Since the year end the Group has continued to implement its strategic plan.

In January 1988, the Group's design and graphics capabilities were strengthened by the addition of Stewart McColl Associates, a leading integrated design company in the United Kingdom. Stewart McColl Associates provides a full range of design services particularly in the fields of architectural services and retail design as well as in graphics and products design. The acquisition created the largest graphics and design group in the United Kingdom and will enable the Group to expand the range of design services available to clients. The Group is now the leading office design group in the United Kingdom, and the combination of Walker Group/OYA and Stewart McColl Associates created the largest retail design group in the world. In order to ensure that the respective skills of these complementary organisations are utilised and co-ordinated effectively for the benefit of the Group, and to capitalise on market opportunities, Stewart McColl Associates has formed a joint marketing company with Business Design Group and a joint venture with Walker Group/OYA to exploit opportunities on both sides of the Atlantic.

In February 1988, Anspach Grossman Portugal, a major United States based corporate identity consulting business, joined the Group. The United States corporate identity market is estimated to be worth around $250 million and is growing in excess of 20% per annum. In 1987, for example, there were 1,753 name changes in the United States compared to 1,382 in 1986, representing a 27% increase. Over the last five years the number of corporate name changes per year has grown at a compound annual rate of 17%. The acquisition of Anspach Grossman Portugal strengthens the specialist graphics and design capabilities of WPP and will enable the Group to expand the range of services available to clients.

In April 1988, in order to provide the Group's major national and multi-national clients with a more strategic approach to the analysis of their marketing problems, the Henley Centre for Forecasting was acquired.

It is our view that, in assessing their marketing services advisers, major national and multi-national clients emphasise two major attributes; firstly, strategic marketing thinking, planning and advice, and secondly, creative or tactical execution. The WPP board considers that, as currently constituted, the Group excels in creative or tactical execution, but needs to devote significantly greater resources centrally to developing strategic marketing thinking for its clients.

Henley's unique range of consultancy services will provide the Group and its clients with a strategic resource which will develop an understanding of how markets and consumers change, the economic implications arising from social and political factors, and ways in which it is possible to transform the understanding of that change into profitable marketing decisions. Henley's expertise covers marketing, economics and econometric techniques, social research and computer operations, and is applied to strategic options, policy analysis, product development and brand positioning, communications tactics and market forecasts. Henley's subscription publications include a range of monthly and quarterly publications – Framework Forecasts for the UK Economy, Planning Consumer Markets, Leisure Futures, Costs and Prices, Currency Profiles, Framework Forecasts for the EEC Economies and the Directors Report. Syndicated services include Planning for Social Change, Measures of Health and Sigma. Consultancy services include total environment analysis, social analysis, econometric applications, expert systems and concept and brand auditing. Henley also provides seminars for its clients.

The Group has already developed, through the work of Stephen King, Research and Development Director, at J Walter Thompson Company in the United Kingdom, significant expertise and a framework for planning all marketing services through a systematic and disciplined analysis of the objectives of clients, the setting of specific targets to achieve these objectives and the evaluation of marketing services in achieving these targets.

The acquisition of Henley will enable the Group to develop and extend these skills across the range of the marketing services it offers. This will provide clients with a strategic marketing planning service which will help to maximise the effectiveness of their marketing strategies.

Also, in April 1988, the Group initiated the development of its sales promotion activities in the United States through the acquisition of the country's fourth largest sales promotion company, Einson Freeman. The United States sales promotion market has grown at an average rate in excess of 20% over the last five years and, in 1987, was worth over $100 billion.

Einson Freeman offers a broad range of marketing and sales promotion services including strategic promotion planning, marketing consulting, creative development, production and implementation, and post-promotion analysis. Einson Freeman has been working closely with J Walter Thompson Company for a number of years, so much so that one third of its revenues originate from common clients.

In May 1988, WPP acquired EWA, a leading United Kingdom-based, independent database management company. This acquisition brings to the Group specialist database management marketing skills and techniques which will develop and enhance the range of direct marketing services available to clients and will enable them to maximise the quality and productivity of their marketing communications. Direct marketing services are estimated to be worth over $19 billion in the United States, with estimates for the United Kingdom of between £800 million to £1 billion. Worldwide market growth is between 15-20% per annum.

The Company has also been expanding energetically through organic growth. In the first four months of the year, £105 million ($200 million) of new assignments has been gained from the following new and existing clients:

Media Advertising

Allied Breweries, Bacardi, BAT, Bulmer, Carling O'Keefe, Chesebrough-Ponds, Ford, Jacobs Suchard, Loehmann's, Nestlé, Philips, Primo, Reebok, RJR Nabisco, Toy City, Unigate, Unilever, Wardair, Warner-Lambert, Wellcome.

Public Relations

Barclaycard, Baxter Travenol, Bowthorpe, The Crown Estate, Eli Lilley, Geest, Kellogg, Kodak, Koppers, Monsanto, New York Stock Exchange, PepsiCo, RJR Nabisco, Schering, Sterling Drug, Tarmac, Tate & Lyle, Wellcome, Yamaha.

Market Research

3M, Abbey National, Arthur Bell, British Airways, BP, British Telecom, Central Office of Information, De Beers, Gillette, Manpower Services Commission, Metropolitan Police, Philip Morris, Yamaha.

Non-Media Advertising

Arthur Bell, Austin Rover, British Gas, British Rail, Burton Property Trust, CAP Financial, Citibank, Citroen, EDS, Esso, Gateway Supermarkets, Habitat, Halifax Building Society, Heinemann, Hill Samuel, Firestone, Kodak, KPMG, Lloyds Bank, Merrill Lynch, Metal Box, Nikko Securities, Norwich Union, Paine Webber, Prudential Property Services, J. Sainsbury, Texas Air, Transamerica, United Biscuits, Universal Studios, Waverley Cameron, Yardley.

Specialist Communications

Connecticut Mutual Life Insurance Co, Equitech, Ford, Oriental, Levi Strauss, Novell, Paine Webber.

This organic growth underlines the powerful opportunity the Group has to develop new business from existing and new clients and for cross-referral on both a geographic and functional basis.

Outlook for Marketing Services

Considerable concern has been expressed about the potential short-term impact of the 19th October market crash on marketing services expenditure. Recent history has shown that clients have become increasingly aware that a reduction in spending will have a damaging effect on market share, and hence profitability. In addition, over 50% of our business is represented by packaged goods companies, who market necessities, in the face of low population growth and therefore depend on increasing market share for growth. Usually, their spending is therefore linked to sales (not profitability) which in times of recession do not suffer.

Sales by Clients' Business Category

PACKAGED GOODS 51%
SERVICES 29%
DURABLES 20%

Initial indications following Black Monday were that there were no ill effects. A survey amongst the Top 300 Advertisers conducted by MORI for Campaign magazine in November 1987 trumpeted "Exclusive: Happy 1988" concluding the advertising sector was set for a vintage year. Nearly 7 out of 10 clients said they would spend more on advertising during the coming twelve months. In fact, in the last quarter of 1987 and first quarter of 1988, spending, especially on media advertising, was strong. Other indicators were positive too. Analysts such as Alan Gottesman of L F Rothschild and Company pointed to 20% year on year increases in new product introduction statistics, strong price increases in TV network time and increases in weekly magazine advertising pages.

However, our enthusiasm for 1988 stems not so much from these facts, or the quadrennial year (the Olympics, the US Presidential Election and strong growth adds up to a bumper year) or the possible continued weakness of the United States Dollar, but more from the inability of our clients to reproduce or repeat what we term their low cost producer strategy. As Fortune Magazine put it in January 1988, "the US has seized the lead in the race for global competitiveness.... The US not Japan is the export-led economy now." Over the last few years, our clients have increasingly attempted to become more efficient or the low cost producer in reaction to increasing competitiveness, shorter product life-cycles, lessening technological differentiation between products and – particularly among consumer goods companies – to mergers.

As a result, layers of management have been reduced and organisations streamlined. However, costs can only be cut once. Once the organisation is relatively lean and mean, clients will increasingly have to turn their attention to improving the top line, and concentrating on revenue growth and market share rather than cost containment or cutting. It is here where we believe the short-term opportunity will be. As Alan Gottesman again put it recently *"The key to long-term growth is increased sales. There are numerous ways to stimulate sales growth and practically all of them require increased advertising spending."*

Advertising and the economy in Olympic years

(% change over previous year)

	GNP	Advertising
1972	+10.0%	+12.1%
1976	+11.5%	+10.4%
1980	+8.9%	+9.8%
1984	+10.8%	+15.8%

Source: McCann Erickson

Share listing

With effect from January 1st, the Group's shares have also been listed on NASDAQ in New York. It is anticipated that this will considerably increase United States institutional investor interest in the Company's shares. Prior to its acquisition, 51% of JWT Group's shares were owned by 60, primarily United States institutions, and it is probable that although the Company's shares were quoted on the Over-the-Counter market through the "pink sheets", the absence of a broader quotation limited institutional interest. The Group is now followed by four of the leading United States' media investment analysts, and it is the Group's objective to significantly develop United States institutional interest above its current level of approximately 10% of our shares in issue.

Opportunities for cross-referral

Following the latest acquisitions, on a historic pro-forma basis, 54% of Group sales and 55% of pre-tax profits are now represented by media advertising, public relations represents 13% and (1%), market research 7% and 10%, non-media advertising 14% and 18%, and specialist communications 11% and 17%. Manufacturing now accounts for less than 1% and 1%.

United States' operations account for 58% and 34%, United Kingdom 20% and 35%, and the Rest of the World 22% and 31%.

The Group now works with 214 major national or multi-national clients in two or more of its services, as opposed to 60 at July 1987 and only 30 last year reflecting the progress made and opportunities for cross-fertilisation between activities nationally and internationally. It works with 85 clients in three or more services (as opposed to 30 at July 1987), and with 144 clients in three or more countries (as opposed to 114 at July 1987). J Walter Thompson Company is one of only two agencies who work with 20 or more clients in 10 or more countries throughout the world. The Group services more than 178 of the Fortune 500. The Group employs 10,821 people in 288 offices in 49 countries.

There is without doubt greater potential for cross-referral of business and the actual penetration achieved is indicative of the difference between "media" advertising and "non-media" advertising. Media advertising agencies can be compared to brands that compete against one another offering the same full service to their clients, whereas non-media advertising agencies tend to complement one another because their tasks are more integrative thus offering co-operative opportunities. For example, to ensure the success of a consumer sales promotion, an incentive scheme for salesmen or dealers to encourage the widest possible product distribution may be necessary. At the same time a co-ordinated design for packaging or identity may be required together with audio-visual and video support to communicate the promotion's objectives internally to employees and/or externally to customers. The inter-relationship can be even more sophisticated as, for example, developments in direct marketing enable sales promotion to be communicated more effectively to a better targeted audience.

The challenge facing the Group today is not only to harness the non-media activities of the Group to meet client needs but also to develop greater co-ordination between media and non-media activities. Some clients complain that professional jealousies and even arrogance prevent advisers in different disciplines from providing a truly co-ordinated programme and desire to examine an integrated approach. It would be just as bad a case of marketing myopia for non-media companies to ignore media advertising, as it was for the media agencies to ignore non-media advertising in the 1970's. As a result, a rash of buzz-words and concepts developed such as "The Whole Egg", "Orchestration" and "Aggregate Marketing" as advertising agencies sought to invade non-media markets as big if not bigger than their traditional markets. Having established a dominant, major or significant presence in most marketing services sectors in most major and developing markets in the world, the Group is well placed to both broaden and deepen its activities functionally and geographically.

WPP Group Organisational Structure by Service

Strategic Marketing Services

Media Advertising | Public Relations | Market Research | Non-Media Advertising | Specialist Communications

Structure

Following the signing of a definitive merger agreement on June 26th, 1987, your Board commenced a detailed review of JWT Group's operations. In order to achieve its strategic objective of building the major multi-national marketing services company, it announced that each of the four business units within JWT Group would in future relate directly to WPP.

Chairman's Statement

Continued

This follows a trend many of our own clients have pursued. Namely becoming 'leaner and meaner' or the low cost producer, not only by becoming more and more efficient in production, but also administratively. This trend towards the reduction in layers of management has been led by advances in information technology. As Peter Drucker says in the Harvard Business Review, *"... layers of management neither make decisions nor lead. Instead their main, if not their only, function is to serve as relays – human boosters for the faint, unfocused signals that pass for communication in the traditional pre-information organisation".* Tom Peters in a McKinsey Report on advanced manufacturing technology added, *"the first step in accomplishing successful plant-floor implementation of new manufacturing processes is the clear out of all the middle managers and support-service layers that clog the wheels of change".* A recent study by AT Kearney, which divided 41 companies into 'winners' and 'losers' based on long-term financial performance, found that winners had on average almost four fewer layers of management than the losers. The winners had almost 500 fewer staff at headquarters, for every $1 billion of turnover compared to the average for their industries.

Your Board was pleased to confirm that Hill and Knowlton would continue to be headed by its existing Chief Executive Officer, Bob Dilenschneider, as would MRB Group by Frank Stanton. In addition, following recent changes at Lord Geller Federico Einstein, we were delighted to announce the appointments of Agi Clark, Tim Elliott and Bill Wardell as the Senior Executive Officers. Your Board was also delighted to announce the return of Burt Manning to the J Walter Thompson Company as its Chairman and Chief Executive Officer. Mr Manning worked for the J Walter Thompson Company for 19½ years until 1986, and was Chairman and Chief Executive Officer of J Walter Thompson USA from 1980 to 1986, during which time that agency established itself not only as the most creative and effective agency in the United States, but also as a highly profitable unit.

In order to manage and co-ordinate this expansion, and develop the Group's organisational structure around the world, following the acquisition of JWT Group it was announced that two new committees would be formed to ensure that all Group companies jointly explore all opportunities for cross-referral amongst clients. Each committee, built around our parallel media advertising networks, the J Walter Thompson Company and Lord Geller Federico Einstein, complement and reinforce the activities of Rasor Communications Limited and Rasor Communications Incorporated, the divisional holding companies formed to co-ordinate and develop the Group's non-media advertising and specialist communications activities in the United Kingdom and United States.

WPP Group Organisational Structure by Entity

J Walter Thompson Company	Hill and Knowlton MRB Group Rasor Communications	Lord Geller Federico Einstein

This structure responds to the increasingly sophisticated and geographical demands placed on the Group by its clients.

Although some argue that global demand for, and delivery of, marketing services may not yet be significant there is no doubt that the operations of most of the Group's clients have become increasingly complex and international over the last ten years and that this has had a significant impact on the nature of their demands made on their service companies. One of the difficulties that advertising agencies face is that they have to behave like and match the resources of clients who are larger and more resourceful. Hence the revenues of the world's largest advertising agencies are still smaller than the pre-tax profits of its largest clients.

The importance of this structure is indicated by the increasing number of clients serviced by the Group in two or more marketing services or countries.

A third divisional holding company, Wire & Plastic Products Limited, is responsible for co-ordinating the Group's traditional manufacturing activities.

This structure also responds to the challenge of monitoring a multi-national operation from one side of the Atlantic. As Sir Gordon White, Chairman of Hanson Industries Inc., put it *"I don't believe you can run a major US company from abroad. George III tried to run the United States from Britain, and look what happened to him!"* By relying more on national management in each country, a stronger organisation will be built.

The public company Board will continue to develop and implement the financial strategy of the Group thus maintaining an appropriate distinction between the skills and resources needed to manage the professional or craft side and those needed to manage the business side. This approach which maintains a separation between the professional and financial aspects of the business has proven to be a major attraction to many of the companies that have joined the Group this year. In addition, it enables the Group to emphasise what Michael Porter of the Harvard Business School, in analysing successful competitive strategies, terms "transfer of skills", and "share activities" amongst its portfolio of companies.

However, the substantial expansion of the Company this year, which involved, amongst other events, the acquisition of a company seven times our size (in revenues if not in profits) and which operated from 245 offices in 45 countries as opposed to our 31 offices in 2 countries, has necessitated a substantial expansion of the public company's executive and non-executive resources.

The objectives of the holding company are three-fold. Firstly, to plan, budget and monitor the financial strategy, tactics and performance of the Group. Secondly, to plan, negotiate and execute the acquisition strategy of the Group, and describe and explain the Group's strategy to its existing and potential institutional investors. Finally, to stimulate and foster the cross-referral and synergistic (as horrible a word as global) developments between the different activities, functions and countries across the Group.

To achieve these objectives a number of senior appointments have been made and the holding company, with offices in London and New York, now consists of over twenty professionals. Two key executives have been appointed who have experience of the same treasury and tax functions at Guinness and Saatchi & Saatchi Company. Three divisional controllers have been appointed to cover the JWT Group on a geographical basis, who, although they are all still in their thirties, have extensive experience of financial control at such companies as Saatchi & Saatchi Company, Arthur Andersen & Co, and Pepsi-Cola. In addition, financial directors have been installed at Rasor Communications Incorporated, Rasor Communications Limited and Wire & Plastic Products Limited all of whom have extensive experience at Big Eight audit firms or public companies.

The activities of these controllers and financial directors could be likened to AWACS or advanced warning aircraft, whose role is to warn in advance, or as soon as possible after the event, of variances against budget.

Further appointments have been made in the areas of acquisitions, institutional investor relationships and corporate communications of young professionals with strong analytical backgrounds with Scottish Provident, a major Scottish institution, General Electric Pension Fund, a major US pension fund and the Financial Times.

Finally, in order to co-ordinate the activities of the Group and develop clearer strategic marketing advice for our clients, two non-executive directors have been appointed. Jeremy Bullmore (58), who was the Chairman of J Walter Thompson Company in the United Kingdom for 11 years, and with the agency for 34 years, will help Group companies work more closely together for the benefit of clients, to provide strategic advice and integrated communications programmes.

John Quelch (36), who is an Associate Professor of Business Administration at the Graduate School of Business at Harvard University, will advise the Group on the development of its strategic services for major national and multi-national clients.

Incentive and motivation

One of your Board's key concerns is not only to stimulate the highest professional standards in order to attract the highest quality specialists in all areas of its operation, but also to see that they are appropriately rewarded. To this end the Group had already introduced a stock option plan and a share purchase plan, and this year introduced three further schemes

Chairman's Statement

Continued

with similar objectives – a profit sharing plan, an option plan specifically designed for United States executives and a SAYE plan. Total separation of the ownership and the control of a company may well have a negative effect on performance – indeed recent academic research by such bodies as the Industrial Participation Association and Hay Group Inc. suggests that this is so. As Warren Buffet puts it in his owner-related business principles at Berkshire Hathaway Inc, "*We eat our own cooking.*" Your Board intends to continue to develop further ideas to see that staff and shareholders have common financial goals in improving profit performance.

The acquisition of JWT Group posed a particular issue in relation to incentives as it did not include an earn-out. In addition, JWT Group managers were not major shareholders, the Board of the Company owning less than one per cent of the company. Over the first six months of ownership, your Board has developed with the Chief Executives of each JWT Group business unit, on a top-down and bottom-up basis, both a Two Year Plan for 1988 and 1989 and a Budget for 1988 that reflect the Group's financial objectives. Once these plans and budgets were agreed your Board felt that it was only appropriate that the management of each company should be motivated to reach these targets.

To this end substantial incentives have been offered if the mutually-agreed budgets are reached. Unfortunately, these incentives, although they will have a substantial deferred element, will be primarily in cash despite your Board's desire to closely link ownership and control. This is primarily because of the restrictions placed on United Kingdom companies by United Kingdom institutions in respect of shares issued under share incentive schemes.

Some people, including Warren Buffet, Chairman of Berkshire Hathaway Inc, believe that options are not in the interests of shareholders as "*managers actually apply a double standard to options... I believe it is fair to say that nowhere in the business world are ten-year options on all or a portion of a business granted to outsiders... Any outsider wanting to secure such an option would be required to pay fully for capital added during the option period.*" It is, however, particularly important with service companies that share ownership is encouraged wherever possible, and the restrictions currently in force are overburdensome. Your Company is making every effort to negotiate a reduction in these restrictions, whilst continuing to implement its philosophy of carefully structuring and tying the exercise of options to the performance of the employee's business unit.

In addition, recent sharp falls in the Stock Market have dramatically reduced the perceived and actual value of stock options. To the employee the times at which these options are allocated seem arbitrary. For example, an employee who was allocated options in the first eighteen days of October would not be particularly motivated by those options at this point in time. In order to ensure that the small number of share options that can be allocated are issued to maximum effect, some facility to re-issue shares at a lower price, or allocate option shares at more frequent intervals or at average prices, should be introduced to reduce the impact of sharp gyrations in the Stock Markets. Your Company will continue to press for such change.

The Group continues to trade satisfactorily, and the Board is delighted to report that we anticipate that 1988 will be another record year, well up to the expectations of those both inside and outside the Company.

J.R. Symonds
Chairman

The Thompson Red Book on Advertising

1899

SAYINGS OF J. WALTER THOMPSON

"The man who forgets to advertise is soon forgotten."

"Advertising awakens demand and encourages supply."

"Advertise widely and forcibly or do not advertise at all."

"Strong advertisements are good medicine for sickly business."

"An article well advertised is known to the public as a personal friend."

"The foundation of most fortunes may be directly traced to advertising."

"Little, wide-awake advertisements often prove to be giants in disguise."

"Wide-awake advertisements and profitable trade generally go hand-in-hand."

"New advertisements with germs of life in them will remind old customers that you are still alive."

"The J. Walter Thompson agency recommends to its clients such publications as it believes will pay them."

"Good, plain, everyday common sense is the real motive which underlies the advertisement-writing of the day."

"The J. Walter Thompson advertising agency of today is a creator. We make new business for shrewd business men."

"Just tell the people what you have to sell. Tell it energetically. That will draw attention. The rest is easy, and the grist will come to your mill."

"Advertising is a science nowadays. It must be studied. If you had to undergo an operation, would you prefer a quack or a skilled surgeon?"

"A proper advertisement placed in an inappropriate medium is as bad as a badly-constructed advertisement placed in a proper medium."

The J. Walter Thompson Company,

J. Walter Thompson

President.

The Case for Services – A Growth Industry

Services – a Definition

Services are not easy to define. Adam Smith classified them as things which *"perish in the very instance of their performance".* The Bank of England in a more recent description in 1985 classified them as *"anything that can be bought and sold which changes the mental or physical condition of a person or of goods belonging to the consumer."* The Economist's livelier description was *"those fruits of economic activity* (except for this Annual Report) *you can't drop on your toes."* Although as Theodore Levitt points out, *"service is everybody's business."*

Whatever they are they can broadly be separated into four categories:

- Governmental, social, educational and legal
- Personal, eg: medical, leisure
- Financial, transport and distribution
- Business services, eg: accountancy, data processing, advertising, leasing and franchising.

Comparisons can be drawn between industrial functions and their equals in services:

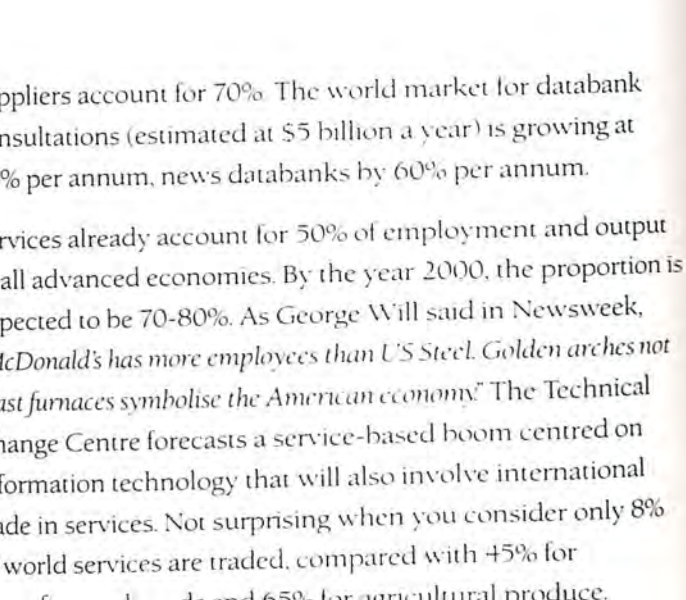
In Industry	Equals In Services
Railways	Data Highways
Power Stations	Computers
Sewage Systems	Encryption/Security
Canals	Optical Fibres
Harbours	Teleports
Industrial Zones	Service Zones
Assembly Plants	Intelligent Buildings
Water Treatment Plants	Telecommunications
Silos	Databanks
Motorways	VANs, LANs, ISDN

High Growth

Some services are growing faster than others. The world market for communications services (excluding advertising) has been growing at 20% per annum and is now an estimated $60 billion a year business. In Western Europe, the software market totals $5 billion a year, but with an annual growth rate of 30%, would total $24 billion by 1991; that compares with a worldwide market today worth $30 billion, of which American suppliers account for 70%. The world market for databank consultations (estimated at $5 billion a year) is growing at 40% per annum, news databanks by 60% per annum.

Services already account for 50% of employment and output in all advanced economies. By the year 2000, the proportion is expected to be 70-80%. As George Will said in Newsweek, *"McDonald's has more employees than US Steel. Golden arches not blast furnaces symbolise the American economy."* The Technical Change Centre forecasts a service-based boom centred on information technology that will also involve international trade in services. Not surprising when you consider only 8% of world services are traded, compared with 45% for manufactured goods and 65% for agricultural produce.

Trends in US Employment by Sector 1860-1980



Despite this size and growth potential, agriculture still dominates government thinking. In Europe, for example, farming accounts for only 5% of the GNP of the EEC and a mere 2.8% of value added, but takes 67% of the Community Budget. The implications of this for levels of unemployment are particularly severe in Europe. Whilst the United States and Japan may recover to pre-1979 recession levels of employment within a few years or 1990 respectively, Europe has shed so many manufacturing jobs since the recession that it would have to raise its growth in employment by a factor of 20 to reach pre-1979 employment levels by 1990.

Between 1960 and 1983, agriculture and industry in the EEC shed 16 million jobs and services created 19 million now accounting for 57% of the EEC's workforce.

EEC Employment by Sector

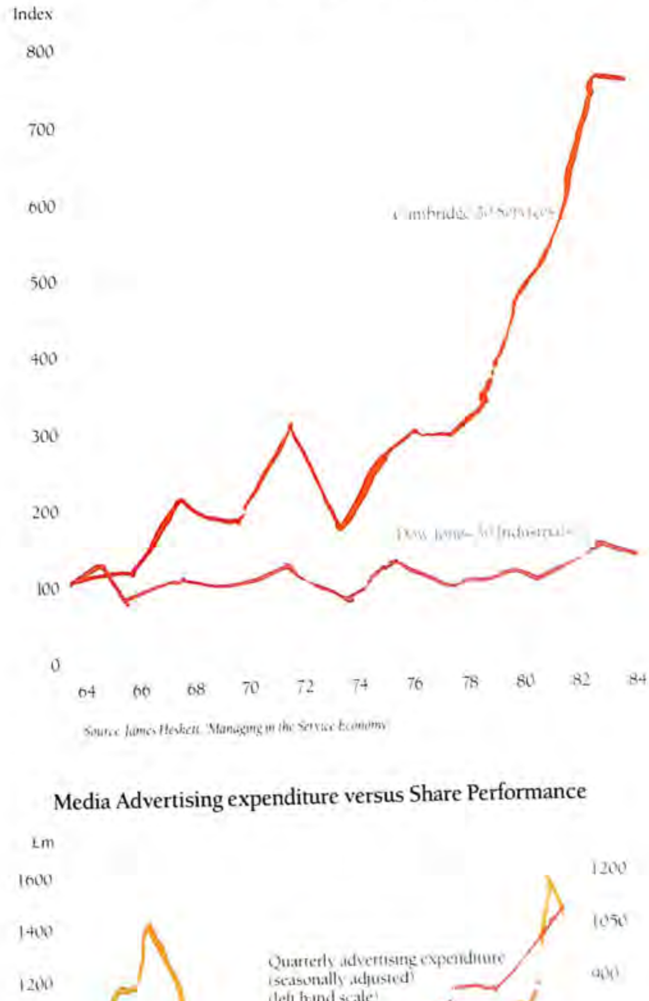
Source: Gunter Pauli 'Services – Driving Force of the Economy'

Although some are concerned at the decline in the importance of the manufacturing sectors of mature economies, there is not necessarily a contradiction or a conflict. As Russell Ackoff of Wharton Business School said, *"this shift towards a service economy does not mean that fewer goods will be produced and consumed any more than the end of the agricultural era meant that fewer agricultural products were produced and consumed. What it does mean is that fewer people will be required to produce manufactured goods."* Indeed industry would be the first to improve its competitiveness from a reliable services infrastructure. Roughly 70% of value-added created by industry is generated by services to production. By 1990, the contribution of services to value added in the pharmaceutical sector could reach 82%, whilst in the car industry it will remain at 52%.

Gunter Pauli in his book 'Services – Driving Force of the Economy', summed up the opportunity as follows:

"Transnational manufacturing corporations still command the headlines, the business, the employment, the wealth. But the challenge of the 1990's and beyond cannot be met by them alone. New transnational service companies are coming up from nowhere, building up alliances without capital participation, monopolising markets where the shareholders are also the clients, creating national markets which make the notions of dumping and cartels hard to apply. New transnationals from Japan are building up empires that America's ITT and Exxons would never have dared dream of. So it is not only a shift in market structure, but also a shift in geographical power distribution which includes the reconversion of the world economy."

Comparative trends in the Dow Jones 30 Industrials and Cambridge 30 Services 1963-84



Source: James Heskett, 'Managing in the Service Economy'

Media Advertising expenditure versus Share Performance

The Case for Services – A Growth Industry

Continued

Services offer best return

According to the ICC Information Group, service industries are the strongest performing sector of the UK economy. In terms of return on shareholders' funds, the industrial and commercial services sectors average of 46.4% is well up on industry's average of 23.8%. Average return on investment is 27% for services compared to 16% for other industrial sectors.

This is partly explained by the lower capital needs of services, but research shows that services also had the fastest growth in sales and assets – over the last three years sales were up 26% per annum, against 12% for the whole of industry, while assets were up 25%, compared with an average of 13%.

Services growth rate reflected in stock price performance

The rapid growth in services has been reflected in the stock market. As Professor James Heskett points out in his book 'Managing in the Service Economy', *"The Cambridge Service Index (a group of 30 service firms' stocks) have far out performed the Dow Jones Industrials over the past 20 years both in up-turns and down-turns, achieving a compounded growth rate in value more than four times that of the traditional indicators' offerings."*

The value of goodwill – true cash flow

The traditional concern amongst institutions surrounding intangible assets and their habit of "going up and down in the lift," and "in and out of the door each day," has recently been reinforced by industry events. This fear is, however, to a large extent diffused by an appreciation of the value of goodwill, of the inadequacy of traditional accounting techniques to appropriately value intangible assets and of the need to ignore goodwill amortisation (a non-cash charge) in evaluating operating results or valuing businesses. Moreover, as Warren Buffet said in the Berkshire Hathaway Annual Report 1984, *"Goodwill is the gift that keeps giving."* Warren Buffet's analysis is also reflected in his comments in the Financial Times in February 1987 on the rumoured acquisition of the JWT Group, *"They used to say that the assets of an ad agency go down the elevator at night, that you would be buying a shell. I do not think that is valid with a major agency. It's the difference between buying into the local brain surgeon and buying into the Mayo Clinic. When you come to a company the size of JWT, you have reached a point where the institution is responsible for more value than the individual."*

It has recently become fashionable in merchant banking circles to concentrate on cash flow, and many analyses have defined cash flow as consisting of two elements only – earnings before interest and taxes, and depreciation and amortisation (or non-cash charges). What such an analysis fails to acknowledge or take into account is the amount of capital expenditure needed to maintain the long-term competitive position of the company. Warren Buffet muses on *"... the absurdity of the cash flow numbers that are often set forth in Wall Street reports... most sales brochures of investment bankers also have deceptive presentations of this kind. These imply that the business is being offered as the commercial counterpart of the Pyramids – for ever state-of-the-art, never needing to be replaced, improved or refurbished. Indeed, if all United States corporations were to be offered simultaneously for sale through our leading investment bankers – and if sales brochures describing them were to be believed – governmental projections of financial planning and equipment spending would have to be slashed by 90%."*

It is here that service businesses and marketing services businesses, in particular, come into their own since their capital replacement needs are minimal. Their major investment is in people accounting for 50-60% of total costs.

Growth in Worldwide Marketing Services expenditure

Worldwide marketing services expenditure is currently worth approximately $500 billion and has been growing at between 10-25% per annum.

Worldwide Marketing Services expenditure – 1987 ($ Billion)

Marketing Services Segment	US	UK	France	Germany	Japan	Rest of the World	World Wide
Media Advertising	105.0	11.0	7.0	10.0	25.0	42.0	**200.0**
Public Relations	9.5	1.0	0.3	0.6	2.4	0.7	**14.5**
Market Research	1.5	0.4	0.2	0.3	0.3	1.2	**3.9**
Non-Media Advertising							
Graphics & Design	11.0	3.0	0.8	1.2	4.5	1.5	**22.0**
Incentive & Motivation	2.0	0.4	0.1	0.2	0.5	0.8	**4.0**
Sales Promotion	100.0	10.0	7.0	9.0	25.0	39.0	**190.0**
Audio Visual & Video	2.0	0.3	0.2	0.3	0.5	0.7	**4.0**
Specialist Communications							
Real Estate	0.8	0.2	0.1	0.2	0.4	0.1	**1.8**
Financial Communications	0.9	0.3	0.1	0.1	0.5	0.1	**2.0**
Ethnic	0.5	0.2	<0.1	<0.1	<0.1	<0.1	**0.9**
Public Affairs	2.9	0.5	0.2	0.3	0.9	0.3	**5.1**
Direct Mail	19.0	2.0	1.1	1.9	5.0	7.0	**36.0**
Recruitment	3.0	0.5	0.2	0.4	0.6	0.9	**5.6**
Healthcare	2.0	0.4	0.2	0.3	0.6	0.3	**3.8**
Total	**260.1**	**30.2**	**17.5**	**24.9**	**66.2**	**94.7**	**493.6**

Source: Industry associations, government data, WPP Group

Currently the five major markets, the United States, Japan, the United Kingdom, France and Germany dominate this worldwide market accounting for 80% of worldwide marketing services expenditure.

Worldwide media advertising expenditures have grown by over 10% per annum over the last five years. There are several factors behind this growth which will continue to fuel its growth in the future.

● The message is to build strong brands – a brand establishes confidence. Brands exist inside the consumer's head. As an example, H.J. Heinz has a dominant market share in baked beans in Great Britain, yet in a blind test consumers preferred HP beans 52% to 48%. When the labels were replaced Heinz won 70% to 30%. Increasingly, marketing success will be related to the development of competitive brands. This will depend in turn on how brand values are built and whether brands are acknowledged to be assets (totally unrecognised by traditional accounting concepts) on which greater returns can be achieved by enhanced marketing investment. As Sir David Orr, Chairman of Unilever 1974-82, said in a preface to a recent book, *"a brand thrives only by being different. It is always a mixture of what . . . is described as 'rational' and 'non-rational' benefits. It is an assurance of consistent quality to consumers and to retailers. A brand's only justification is that it provides what the consumer wants better than does the competition. In a market economy the purchaser will decide what benefits he or she values most highly and will vote with his or her dollars. . . . A brand is a wasting asset, which must be replaced and rejuvenated if it is to thrive."* The late Robert Goldstein, Procter & Gamble's VP-Advertising, expressed it as follows on the Company's 150th Anniversary, *"We're looking for advertising that builds the business, that increases the brands' position, but . . . we're looking for advertising that creates an enduring equity value . . . sometimes it's called personality. Sometimes it's expressed as brand character."*

● The fragmentation of the media into television, radio and print has divided the media audience into smaller segments. Over the past ten years in the United States there has been a 48% increase in the number of television stations that can be received in each home. At the same time the number of homes with multiple TV sets increased from 48% to 64% of homes. The average home receives 11.4 TV stations versus 7.7 ten years ago. VCR's have now achieved 55% penetration. In addition, the number of consumer magazines and radio stations have dramatically increased. In 1988, there were 1,722 consumer magazines compared to 1,018 in 1978, a 69% increase. The number of radio stations increased from 8,864 in 1978 to 10,074 in 1988, or a 14% increase.

● The increasing concentration of retail distribution has increased the pressure on branded goods manufacturers and encouraged the development of retailer own-label or generic brands (and in which battle even packaging design is playing an important role). Drug chains accounted for 60% of the United States markets in 1985 versus 44.9% in 1976. Similarly, food chains accounted for 49.2% versus 46.9%. In London, two retail chains control over 60% of all grocery sales.

● The longer-term investment by brand marketers in their brand franchises (a study over 20 years carried out by the Strategic Planning Institute's PIMS – Profit Impact of

Marketing Strategy – Programme has established market share as an important determinant of profit and has clearly established that companies who have been consistent advertisers over the years enjoy dominant market share) and top advertisers' advertising spending has exhibited greater stability and growth when compared to fixed capital spending.

Brand Investing
Top Consumer Advertiser's Capital Spending versus Advertising Spending 1982-86

	82	83	84	85	86
Capital spending ($Bn)	9.2	7.2	10.0	13.5	15.8
% change	–	(22.2%)	39.0%	35.3%	17.0%
Advertising spending ($Bn)	3.7	4.2	5.0	7.5	7.6
% change	–	14.1%	19.2%	50.5%	0.9%

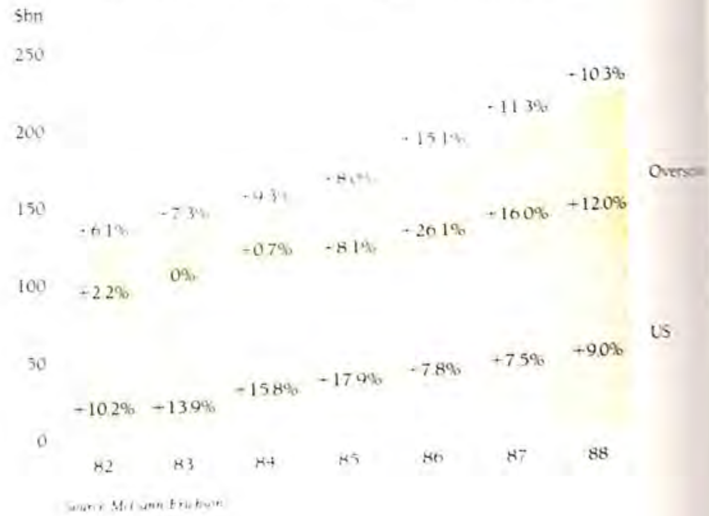
Source includes Procter & Gamble, Philip Morris, RJR Nabisco, GM, Ford, Anheuser-Busch, McDonald's, Pepsico, General Mills, utilized Advertising Age and Value Line data

- The increasing de-regulation of television in many markets particularly outside the United States and in Europe.

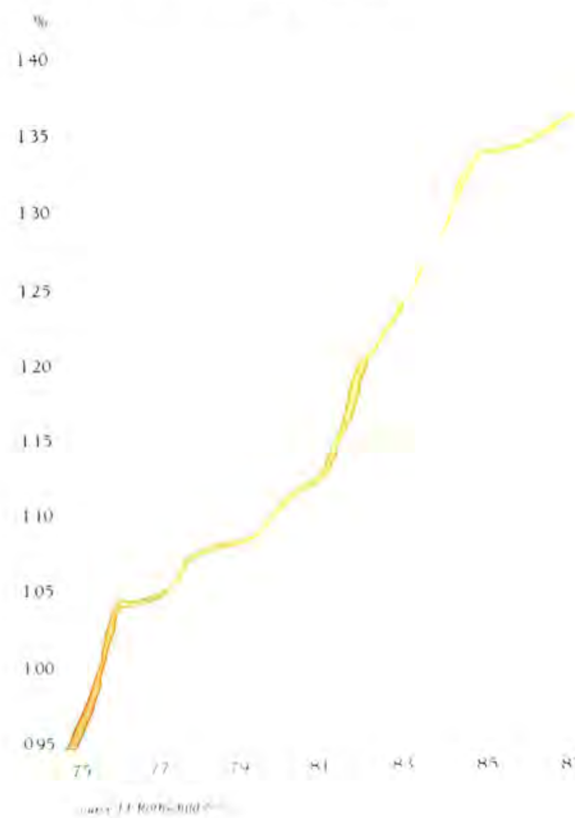
- The emergence of new product categories such as personal computers, wine coolers or overnight package services in the past and, perhaps, prescription drugs in the future (over the counter drugs are a $1.2 billion category now) and, at the same time, the reduction in technological differentiation between products and more rapid competitive responses. Gone are the days when a major packaged goods manufacturer could spend many years developing the paper diaper by experimenting with paper technology and testing the product extensively both locally and regionally. Now, product introductions have to be quick and less rigorously reviewed. At the same time, such a manufacturer has entered commodity-like categories such as coffee, orange juice and tissues, quite different to product categories which it used to dominate through technological differentiation.

Whilst this overall growth has been impressive, these figures disguise significant shifts in the pattern of growth of marketing services expenditures.

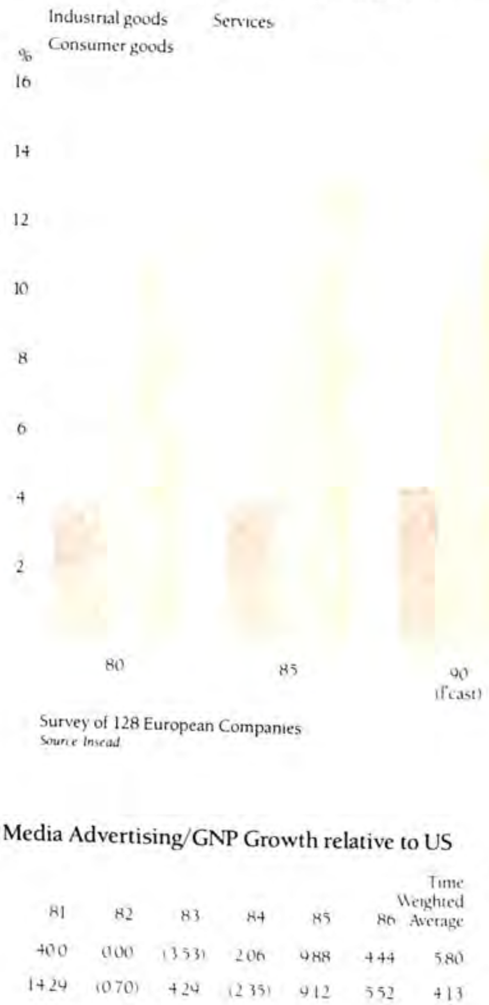
Worldwide Media Advertising Growth 1982-88



US Advertising expenditure as a % of GNP 1975-87



Marketing Costs as % of Total Sales

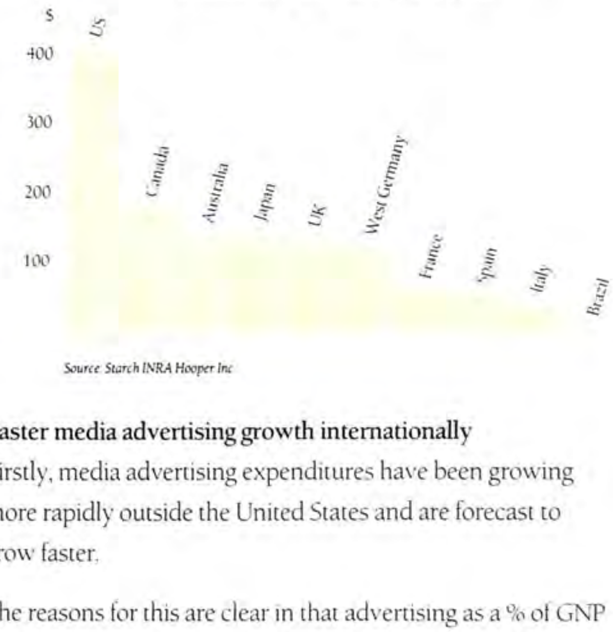


Survey of 128 European Companies
Source: Insead

Advertising as % of GNP 1986

Source: Starch INRA Hooper Inc

Advertising Spend per Capita 1986



Source: Starch INRA Hooper Inc

Media Advertising/GNP Growth relative to US

	81	82	83	84	85	86	Time Weighted Average	Advertising 1986 $m
Turkey	4.00	0.00	(3.53)	2.06	9.88	4.44	5.80	178.2
Portugal	14.29	(0.70)	4.29	(2.35)	9.12	5.52	4.13	95.9
Italy	11.11	1.68	2.24	1.36	5.96	1.40	3.76	3,028.2
Spain	7.27	3.42	0.23	1.26	7.28	6.27	3.75	2,249.2
Finland	7.34	0.43	1.37	1.05	5.23	0.55	2.84	991.2
Greece	32.00	1.02	0.00	(0.65)	0.00	7.06	2.10	156.4
Belgium	3.45	1.12	2.06	0.63	2.14	2.11	1.67	450.4
France	2.08	0.34	1.65	0.41	2.82	4.83	1.56	4,425.9
Denmark	(5.19)	(0.46)	(0.23)	1.30	4.27	3.59	1.32	651.6
Sweden	(3.13)	0.81	0.25	2.75	1.07	(1.60)	1.04	952.5
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	102,675.0
Ireland	(12.12)	(1.45)	(0.93)	0.45	6.20	1.45	1.00	143.1
Switzerland	(0.98)	(1.33)	0.53	0.00	3.29	0.00	0.96	1,351.9
Norway	(3.90)	0.91	(0.84)	1.23	2.03	6.00	0.70	628.8
Europe	(1.43)	0.49	0.46	0.93	1.04	2.60	0.66	31,447.0
Austria	(8.51)	0.39	1.50	0.95	1.58	0.78	0.56	495.7
UK	0.00	0.30	0.87	1.53	(0.62)	3.49	0.41	7,506.7
Netherlands	(6.74)	(0.61)	(0.21)	0.86	0.96	0.48	(0.02)	1,452.2
West Germany	4.00	0.70	0.00	0.30	(1.04)	1.07	(0.44)	6,689.0
Japan	1.05	0.18	0.34	(0.23)	(3.22)	(0.85)	(0.97)	18,107.6

Faster media advertising growth internationally

Firstly, media advertising expenditures have been growing more rapidly outside the United States and are forecast to grow faster.

The reasons for this are clear in that advertising as a % of GNP and per capita is significantly less outside the United States.

In addition, since the 1950's, America has lost share of GNP to Western Europe and Japan.

Faster growth in non-media advertising

Secondly, non-media advertising is growing faster than media advertising. For example, in the United States between 1985 and 1987, media advertising expenditure grew by only 6-8% per annum, and is projected to grow by 8-10% this year. Whereas ten years ago promotional expenditure in the United Kingdom was 47% of total advertising and promotional expenditure, it now accounts for over 55%. In the United

States the same applies – in 1978 media advertising accounted for 42% of total advertising and promotional expenditure, whereas by 1986 it accounted for 32%.

Where the Promotion Dollars go

Source: Donnelley Marketing

Projected Growth Rates in Worldwide Marketing Services expenditure 1988 (% per annum)

Marketing Services Segment	US	UK	France	Germany	Japan	Rest of the World	World Wide
Media Advertising	8-10	12	12	10	10	12	**10+**
Public Relations	15-20	15-20	10-15	15-20	15-20	15-20	**15-20**
Market Research	10-15	15-20	15-20	15-20	15-20	15-20	**15-20**
Non-Media Advertising							
Graphics & Design	20-30	30-40	30-40	20-30	20-30	20-30	**20-40**
Incentive & Motivation	25-35	25-35	25-30	25-30	25-30	25-30	**25-35**
Sales Promotion	25-30	25-30	20-30	20-30	20-30	20-30	**20-30**
Audio Visual & Video	25	25	20-25	20-25	20-25	20+	**20-25**
Specialist Communications							
Real Estate	30	25	25	25	25	25	**25-30**
Financial Communications	25-30	25-30	20-30	20-30	25-30	20-30	**20-30**
Ethnic	25	20-25	20	20	20	25-30	**20-30**
Public Affairs	25	20-25	20	20	20-25	20	**20+**
Direct Mail	10-15	20+	15-20	15-20	20+	15-20	**15-20**
Recruitment	20+	20+	20	20	20	20	**20+**
Healthcare	25	20	20	20	25	20	**20+**
Entertainment	25	25	20	20	20	20	**20+**
Average	15-20	15-20	15-20	15-20	15-20	15-20	15-20

Many forms of non-media advertising are not only growing more rapidly than media advertising, but are becoming large industries in their own right. Because they are fragmented they offer opportunities for growth by acquisition, and, because they have been overlooked or poorly managed by media advertising competitors, can be made a significant part of the marketing services offered to clients.

In a recent survey of the UK's leading advertisers published by Campaign, over half believed direct marketing would become more important than image advertising by the year 2000 and that their attitudes to sales promotion, market research, and new product development reinforce the common view that these sectors are ripe for rapid growth. 90% of the 250 surveyed already used direct marketing in their communications campaigns. No less than 45% of US adults currently buy products or services through direct marketing. No comparable figure exists in the UK, but estimates suggest it is less than half the US figure. In a July 1987 survey by Design Week of 5,000 British clients, 35% said they were currently reviewing their corporate identities, 20% said it had been reviewed in 1986.

In April of this year Michel Reinarz, Director of Visual Communications for Nestlé SA, said, *"History has always shown that media inflation is higher than national inflation, so our spending will be pushed up so high that it will affect consumer prices. We have been looking long-term at changing our ways of traditional marketing, traditional advertising and buying network television and so on. We are evaluating now, shorter-term, how we can cut down. We are looking at the target markets. Other advertisers are doing the same thing, you see them moving into sponsorship and programming, all related to finding narrower target groups."* At the same time Robert Riphagen, Director of Corporate Planning and Marketing Support for Philips said *"Advertisers will look much more critically at the way they spend money and at the great increases from the media. We have been accepting this for years and that will be a big battle."*

Short-term factors behind non-media advertising growth

It is true to say that some of the reasons for this decline in media advertising's share and shift in expenditure are short-term.

Low inflation

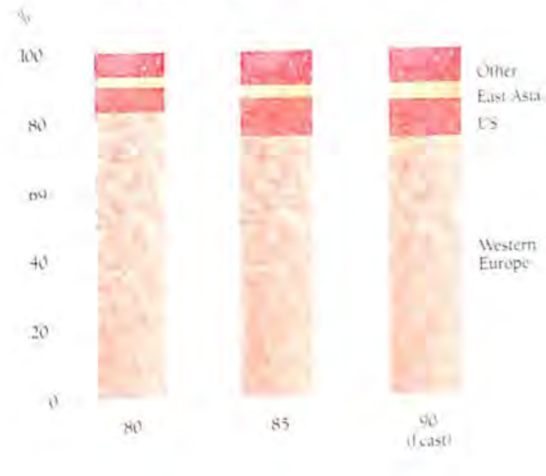
Particularly in recent years low inflation rates have made it difficult for companies to pass on cost increases through price increases to the consumer, so they have looked for more direct and self-liquidating ways of selling their products.

Agency Megamergers

Further agency megamergers have, for practical (conflict problems) and emotional (financial rewards to agency personnel and hence servants becoming enriched) reasons, encouraged client managements to concentrate on the value they are receiving. This led in part to increasing pressure on agency compensation. Alvin Achenbaum, Chairman of Canter, Achenbaum, Associates, who specialises in reviewing agency compensation agreements, claims, "*almost all compensation agreements are negotiated.*" This short-term trend together with the convergence of technology and client strategies, reduction in the length of product life-cycles and consequent tightening of clients conflicting policies, is likely to result in turn in increasing concentration in the advertising agencies market and in polarisation between the very big and the very small agencies.

Such megamergers should not be confused however with mergers which will provide clients with the capability to utilise both media and non-media marketing services on a global, multi-national, international, national or even local basis. These transactions and the resulting organisations, give their clients whose own businesses have themselves become so much more complex and multi-national over the last 20 years, the opportunity of exploring ways of dealing with the opportunities facing them. According to Hoare Govett's analysis of UK Quoted PLC, in 1987 43% of its sales and 41% of its profits came from outside the UK. Approximately half of this, or 18%-20% of the total, originated in the US. Moreover, overseas sales share grew from 39% in 1982 to 43% in 1987. Amongst the Fortune 500, overseas sales and profits account for approximately 20% of the total but the growth is rapid. According to Fortune Magazine, "*Foreign sales among the high growth members of the American Business Conference, whose revenues average $360 million a year, grew at a 20% annual clip from 1981 to 1986 – 5 times faster than the US average.*"

European Companies' Markets by Area



"*Traditional*" advertising agencies have been unable to address these opportunities. In the 1960's and 1970's the Pavlovian response of advertising agencies to an advertising problem would be to spend more money on television. Partly because they believed it to be the cheapest and therefore most effective way of addressing the problem, but also because it was in their vested interest to do so. Television advertising was the most profitable form of advertising for the agency, and their remuneration system based on a percentage of billings ensured this would be so particularly when media inflation so rapidly outdistanced the consumer price index.

In addition "*traditional*" advertising agencies failed to give non-media advertising the necessary status and to manage these businesses in a different or autonomous way thus recognising their different nature. Just as Theodore Levitt described the marketing myopia of the railroad companies in the United Kingdom in the 19th century, "*because they assumed themselves to be in the railroad business rather than in the transportation business*" so an advertising agency may be wrong in assuming it is only in media advertising rather than in marketing services.

The real opportunity is to demonstrate to clients an ability to become a true business partner. Firstly, by developing a fundamental understanding of the clients' strategic marketing objectives. Secondly, by advising that client on the best ways of spending their marketing services budget to achieve these objectives through both media and non-media services (and some of which may <u>not</u> be in-house); and finally by creative execution in the most effective and distinctive way in the chosen marketing service.

Even the megamergers of advertising agencies will present significant opportunities for clients, as rates of inflation rise again and as clients realise and recognise their benefits in terms of added resources and geographical coverage. These will particularly be felt in the media area. As Alvin Achenbaum said recently, *"Agencies have spent so much time talking about creativity, they've not done the job they should have with media".* Already, the *"megamerged"* agencies are starting to examine media-buying benefits that may be developed for clients in Europe and Australia and developing relationships with new media networks that may offer clients more effective media alternatives.

Long-term factors behind non-media advertising growth

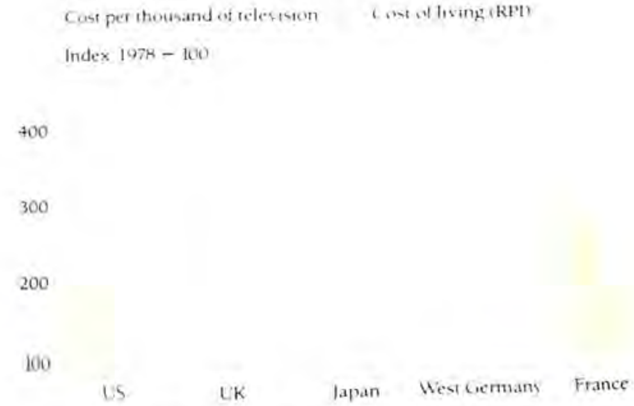
Although the impact of these short-term factors may diminish, there are two major long-term factors that are unlikely to diminish and may well increase in importance.

Advertising is difficult to measure

Firstly, the measurement of advertising and promotional expenditure has always been difficult. The remark attributed originally to the Chairman of Unilever, *"I know I waste half my advertising budget, but I don't know which half"*, is a common complaint, but there have been very few technological developments that have enabled advertisers to effectively measure the results of their expenditure. With the falling cost of computer processing it has become easier to measure the impact of self-liquidating (pay for themselves through increased sales) sales promotion or direct marketing techniques.

This problem has been emphasised by the increasing cost per thousand of television as media rates have risen faster than the rate of inflation and network audiences have declined. In the first half of 1987, as a result of both these trends, the effective cost of television rose by over 25% on both sides of the Atlantic. The erosion of the network audience has been even greater where cable TV is an alternative. In 1986-7, the combined network share had fallen to 72% from 81% in 1981-2, and to 63% in households with cable. There is also evidence to suggest that the quality of the remaining audience has eroded as well. Although network television will probably always be the best medium for reaching the largest number of people in the quickest way, it is no longer a question of cost per thousand – more a question of cost per qualified buyer. In the case of magazines, it is no longer a question of the bigger the circulation the better, but more a question of contained circulation. Single source data from Nielsen, Arbitron, SMRB and MRI, together with computerised stock control, deliver targeted sales information.

Media Price Inflation versus Retail Price Index 1978-88 (estimated)



Sources: Department of Employment
J Walter Thompson Company Worldwide Media Department

The uncertainties created by this trend are reflected in the variation of spending patterns by major television advertisers in the United States during 1987, and the increasing use of alternative networks such as Fox or Katz's non-wired network.

Furthermore, concerns over the costs of advertising are increasingly prevalent. Dick Johnson, Marketing Services Director of Procter & Gamble, warned in 1986 that *"high airtime costs are a millstone around the neck of British industry".* In February 1988 the United Kingdom's fifteen largest television advertisers subscribed to a study entitled 'The Economics of Television Advertising' which will assess the real financial effects of inflated advertising costs on the United Kingdom economy in particular in relation to innovation and new product development, competition and growth performance.

Top Ten US Network TV Advertisers

Advertiser	87 network TV spending	% chg from '86
1 Procter & Gamble	$377,551,800	−16.4%
2 Philip Morris	$331,936,200	−3.0%
3 General Motors	$272,953,100	−16.8%
4 Kellogg	$238,016,900	−43.2%
5 McDonald's	$216,067,400	−11.9%
6 Unilever	$211,923,000	−4.7%
7 RJR Nabisco	$209,777,300	−34.7%
8 Anheuser-Busch	$186,947,700	−5.3%
9 Johnson & Johnson	$181,998,900	−10.8%
10 American Home Products	$181,499,400	−2.2%

Source: Broadcast Advertisers Reports

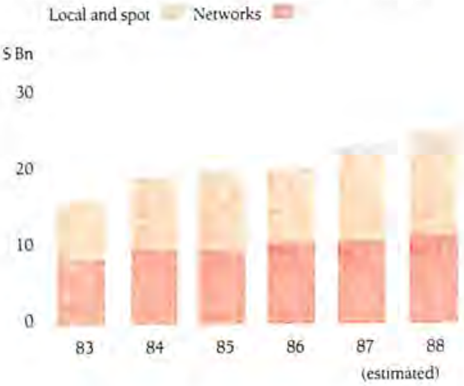
TV viewers attitudes are changing. As Michael Green, Chairman and Chief Executive of Carlton Communications, puts it in his 1987 Annual Report, *"the viewer wants more choice. Major technological advantages and programming make that choice feasible and affordable. The political climate makes it likely."*

Research by RSGB in 1987 indicates the following:

- Very significant numbers of viewers find there are times when there is nothing on television which they want to watch
- Given the option of more viewing at the right price the viewer wants more choice.
- The reduced effective costs of television sets and consequent growth of two or three television households means increasing fragmentation of television viewing.
- Video tape recorders give viewers the opportunity to time shift and buy and rent material.
- Certain homes already have access to satellite and cable channels and these regularly attract higher audiences than BBC or ITV.

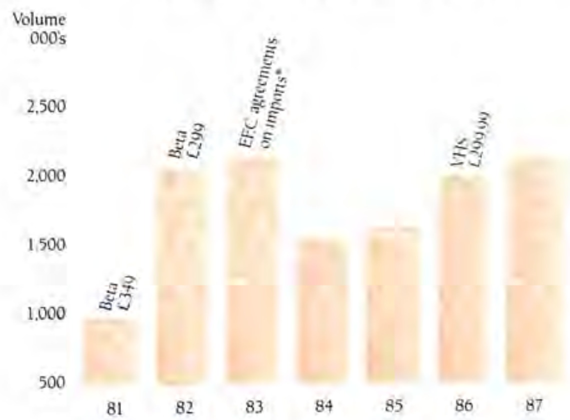
The impact of these trends has had a significant effect on viewing habits. According to a survey by R.D. Percy & Co in New York in March 1988, the average household *"flips"*, *"zips"* or *"zaps"* once every 3 minutes 26 seconds. Moreover, the highest income households are the heaviest zappers. $75,000 + households zap once every 2 minutes 42 seconds.

US Television Advertising Dollars 1983-88



Source: Donaldson, Lufkin & Jenrette Securities Corp

Video Recorders – Consumer Offtake



*Reduced sales in 1984 show extreme price sensitivity

Source: Carlton Communications PLC

According to Business Week in December 1987, there are even indications that US network television attitudes are changing as NBC negotiates programming deals with Disney and Turner Broadcasting, in face of protests from their own network affiliated stations.

The New European Broadcasting Environment

Source: Carlton Communications PLC

Market Fragmentation

Secondly, whilst it has recently become voguish, and perhaps self-serving for global service groups to espouse and popularise global marketing (global concepts are not new, even global manufacturing concepts were developed in the early 20th Century when Lever Brothers built copies of Port Sunlight manufacturing facilities around the world), it may not be in the total interest of their clients to view the world as the Financial Times recently put it *"as a global village and try to sell the same product in every country with the same marketing message. That might work for some products such as the Sony Walkman, but in food the idea was 'globaloney'."*

The Economist was equally direct, *"Europe is still far from being one homogeneous market, despite the theories of academics like Mr Theodore Levitt of the Harvard Business School, who once proclaimed the world to be one market in which clever companies could sell the same thing in the same way everywhere.*

It isn't, and they can't. Marketers of deodorants in Europe have discovered that Spanish women are much more inclined to shave their armpits than West German ones. The British are unique among Europeans in liking to have their television sets wrapped in an olde-worlde teak veneer. Japanese manufacturers were surprised by this. Customers taught Reckitt & Colman to experiment with different perfumes for its new "magic mushroom" air-freshener; different European peoples have quite different sense of smell.

Colgate-Palmolive found the Dutch to be Europe's meanest (wisest?) spenders on toothpaste. So it sells them the same brand as everywhere else in Europe, but at half the price. It has the same cavity-saving power but uses a lower-quality base material. The Dutch like the lower price and do not seem to mind (if they have noticed) the coarseness. By contrast, Ciba-Geigy, a Swiss chemicals firm, thought that price was the chief consideration for customers buying its textile dyes. When it asked them, they said that quality was more important."

Even one of the global leaders has its concern. Richard Halpern, Director of Advertising Research for Coca-Cola Company (perhaps the epitome of global marketing), said in November 1987, *"Nationalism is by no means dead. We are not heading towards the global village. We are not anywhere near it."*

As James Tappan, Vice Chairman of General Foods Corporation, said at a recent IAA Conference, *"the United States is no longer a mass market where people ate and drank the same products, it is a society evolving into a number of complex regional and social preferences. It will mean marketing to hundreds, even thousands, of different consumer types – we will have to think big and act small . . . it is about marketing to non-traditional audiences through non-traditional channels."* It may well be that as John A. Quelch and Edward J. Hoff wrote in 1986 in the Harvard Business Review, *"despite the obvious economies and efficiencies they (marketers) could gain with a standard product and program, many managers fear that global marketing, as popularly defined is too extreme to be practical. The big issue today is not whether to go global but how to tailor the global concept to fit each business."*

The approach to be adopted will depend on the nature of each company's business functions, its product, the elements of its marketing mix, and the countries in which it operates. This approach also reflects the structural response that can be made to these strategic issues. According to Professors Bartlett and Ghoshal in the Sloan Management Review 1987, many multi-national companies are *"shifting their business units and national subsidiaries from either dependence or independence* *towards interdependence.*" From different starting points they are all moving towards a common goal – the simultaneous achievement of global efficiency, responsiveness to national differences and rapid organisational learning.

Whilst this approach may appear heretical to those who insist on taking the writings of Theodore Levitt at face value, it is further reinforced by the trend towards local marketing.

A 1987 Dechert-Hampe survey reported that 56% of consumer marketers had plans to implement regional marketing programs in 1988 and that 43% of those already involved in regional marketing planned to spend more than 20% of their marketing budgets on local marketing programs. Recent examples include:

- Between 1985 and 1987, Frito Lay quadrupled the local marketing budgets set aside for its zone sales managers to allocate.

- In 1987, Lever Brothers offered Surf detergents only in liquid form in the northern United States where liquid detergents are more popular and only in powdered form in southern states.

- Airlines now regularly raise the bonus mileage offered to frequent fliers on routes where their competitive position is weak.

- The Vons supermarket chain classifies its stores into five groups on the basis of demographic analyses of each one's patrons and adjusts its product assortments accordingly.

- Automobile manufacturers, often in association with regional dealer networks, are developing special limited edition models to cater to regional tastes, targeting direct mail drops to zip codes with demographics that fit the profiles of likely purchasers of particular models, and adapting media mixes by region to reflect the lifestyles of prospective customers.

Regional television now takes 20% of General Foods television and advertising budget as opposed to 8% five years ago. As John Quelch and Frederic Alper point out in an article entitled 'Making Local Marketing Work', "*in the past, local marketing has largely been seen as a necessary inconvenience, undertaken for defensive reasons. Today, however, excellence in local marketing is being viewed as a potential source of competitive advantage.*" This may become increasingly so as, according to recent Bureau of Economic Analysis data, after converging for more than 50 years, differences in United States regional income are widening again. Technological developments will also help as Universal Product Code data is more widely developed and used.

In order to address the increasing complexity of these conflicting views and trends, it has become increasingly important to be able to develop a framework for analysis of marketing services problems which can review strategies and recommend tactical execution on a worldwide basis. It is to this end that the Group intends to develop and utilise The Planning Cycle, developed by Stephen King at J. Walter Thompson Company in London, to provide a structure and discipline across marketing services and geographical boundaries.

The Planning Cycle

Where are we?

- What is the consumer buying system? What is the process by which people buy and use the brands in the market?
- Where does our brand stand compared with competitors, in the market and in people's minds?

Why are we there?

- What factors have contributed to our brand's strengths and weaknesses?

Where could we be?

- What, realistically, could be our future brand objectives, brand positioning, brand personality?

How could we get there?

- What changes to what elements in the marketing mix could achieve our objectives?
- What will work best, in terms of budget, role for marketing services, target group, target responses, media choice, creative brief, marketing services idea?

Are we getting there?

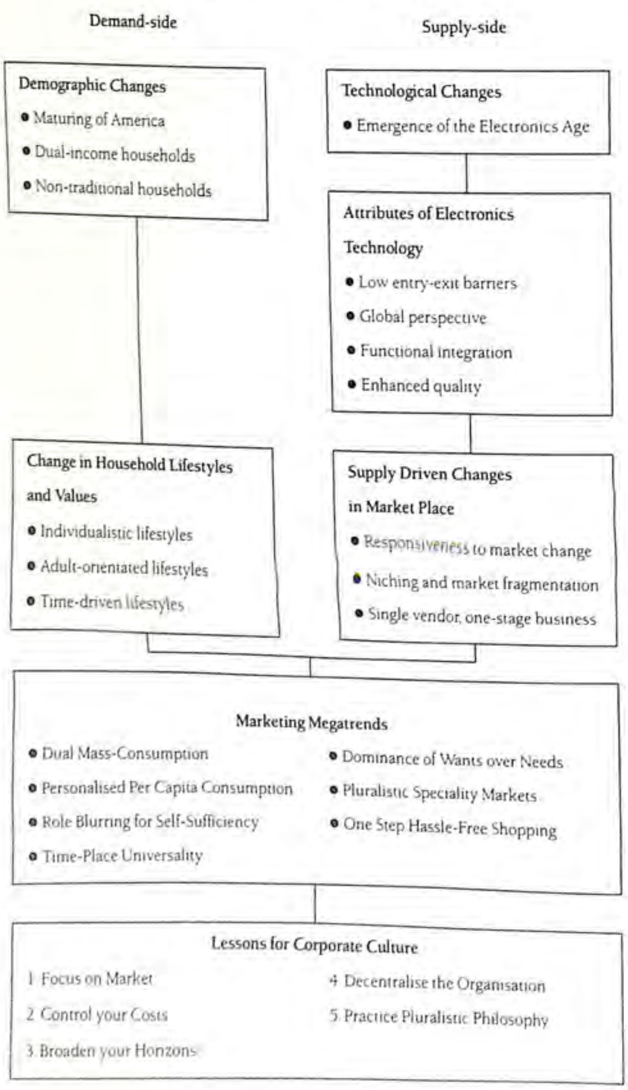
- Are the marketing services that we produce to these strategies achieving their objectives, and is the total plan working?
- How can research help us evaluate our work and plan the next stages?

Underlying reasons for growth are demographic and habitual

The underlying trends behind these shifts in expenditure patterns are deeply ingrained in the demographic and marketing statistics in the United States and United Kingdom.

It is interesting to consider the *impact* of demand-side changes in consumer values and buying behaviour and supply-side developments in electronics on how companies should position themselves as Professor Jagdish Seth did in his article 'Marketing Megatrends'.

Jagdish Seth – Marketing Megatrends

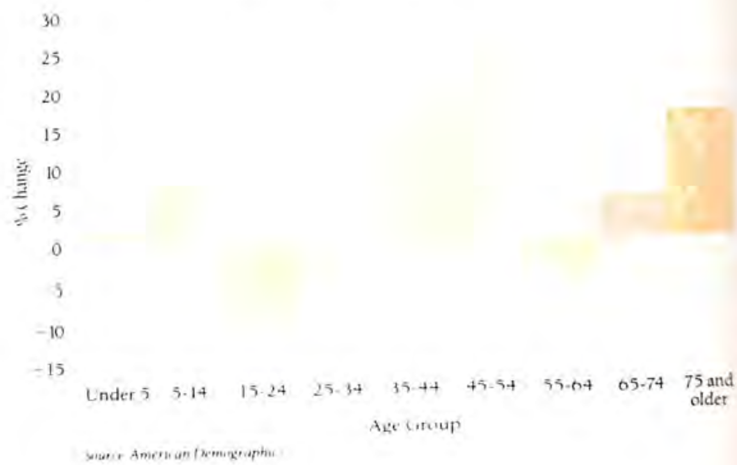


Whilst the economic and sociological jargon may deter or draw a yawn, the practical implications of the analysis are significant.

In a little more detail the argument runs as follows:

On the demand-side three major demographic changes are discernible. *America is maturing* – the median age in 1980 was 30 and is expected to reach 42 by the year 2050; the baby-bust era is replacing the baby-boom era and will result in the 30-40 age segments replacing the 18-34 age segments as the biggest buyers; finally, increasing life expectancy and declining fertility rates will generate the largest population growth in the 30-45 age segments and second largest growth in the over 65 age group.

US Ageing Trends 1987-93



Secondly, *the dual income household is developing* – where husband and wife are both wage earners, and where the middle-class will decline and be replaced by the Affluent and the Average. Thirdly, *non-traditional households are growing* – there has been a sharp increase in this group, and the 22% of all households that were single in 1980 is expected to increase sharply.

These changes will result in the following changes in household lifestyles and values – *individualistic lifestyles* where more and more consumption will be personalised to each individual, *adult-orientated lifestyles* – due to the decline of children's presence in the household, and finally *time-driven* *lifestyles* – where affluence and maturity will result in time-poor and money-rich households.

On the supply-side the major technological change is the *emergence of the electronics age*. This has several unique features which impact on business. Firstly, electronic technology has *lowered the barriers of entry and exit* and will increase competition. Secondly, electronics is a worldwide technology which means a company must take a *global perspective*. Thirdly, resultant increased productivity gives rise to increased opportunities for *functional integration* and consequent lower unit cost. Finally, electronics technology has not only *lowered costs but also enhanced quality*.

As on the demand-side, these four attributes of technology are likely to bring about the following supply-driven changes in the market place. Firstly, *a responsiveness to market changes*, as the time and space distances in market transactions between buyers and sellers have been reduced. Secondly, lower entry and exit barriers, cost-efficient production and marketing have encouraged *niching strategies* with as a consequence mass markets becoming more *fragmented*. Thirdly, integration of business functions and enhanced quality at lower cost will result in a redefinition of business *to single vendor one-stage businesses*, such that the consumer does not have to make separate choices.

As a result of these dramatic demand-orientated demographic changes and supply-orientated technological changes seven megatrends can be identified.

- *Dual mass-consumption* – as affluent and average classes develop, companies that specialise in premium products and services will find that the growth potential for their products is enormous. At the same time companies who offer mass-market functional products and services will find it more and more difficult to survive.

- *Personalised per Capita Consumption* – most products and services will be demanded and consumed at a per capita rather than household level. Further, more and more people will be able to afford personalised rather than standardised products.

- *Role Blurring for Self-Sufficiency* – the old concepts of home-maker and breadwinner have gone. Marketing campaigns will have to have universal appeal to men, women and young adults.

- *Time-place Universality* – it will become increasingly common to disassociate time and place separations of work, home and shopping activities.

- *Dominance of Wants over Needs* – psychological wants will dominate consumer motivations over physiological needs. This will result in an increasing need to satisfy psychological and divergent needs which are more volatile and dynamic.

- *Pluralistic Speciality Markets* – greater tolerance for individualism and personalised consumption will result in pluralism in values, lifestyles and behaviour. In addition the electronic age permits markets to cater to smaller market segments. Therefore there will be increasing attention to speciality markets, eg, ethnic groups.

- *One Stop, Hassle-Free Shopping* – as society becomes more time driven and as marketers broaden their business definition, consumers will prefer one stop shopping for products and service.

The final conclusions of Professor Seth's analysis are the lessons of these megatrends for corporate cultures. Firstly, *Focus on the Markets* – offering value to the consumer whilst not sacrificing profitability and subordinating technology to customers. Secondly, *Control your Costs* – with the lowering of entry-exit barriers as well as global competition, it will be necessary to identify cost structures separately for each product – market combination. Thirdly, *Broaden your Horizons* – it will be necessary to understand competitive forces outside your industry and possibly redefine your business, perhaps, more broadly than in the past. Fourthly, *Decentralise the Organisation* – the span of control versus its costs encourages decentralisation, which in turn enables the Corporation to better focus on the market and thereby become responsive to changing market wants. Finally, *Practice Pluralistic Philosophy* – no single marketing approach is likely to be sufficient, because markets are becoming more and more divergent with respect to wants, needs and buying power. Therefore, a single way of doing business is unlikely to appeal to all market segments.

If the reader finds this gobbledegook daunting or incomprehensible, perhaps the implications of such thinking can be brought home more effectively by examining the impact these trends have had on retail purchase decisions.

The major results from the POPAI/Du Pont Consumer Buying Habits Survey (all American but all, if available, similarly reflected in Britain) were as follows:

- In 1986 over 80% of every dollar spent resulted from In-Store decisions versus 65% in 1977.
- In 1986 60% of consumers surveyed bought items they did not set out to buy.
- 16% of consumers entered the store intending to purchase an item in a certain category, but without a specific brand in mind.
- Another 5% of consumers switched the brand they planned to buy once they were in the store.
- The three networks combined share of audience at prime-time has shrunk from 89% in 1978/9 to 73% in 1984/5.
- In 1985 71% of women were working versus 39% in 1970.
- The average supermarket has increased by almost two and one-half times in size from 13,000 square feet in 1974 to 30,000 square feet in 1985.
- There has been a steady increase in the number of products on supermarket shelves (now 15,000-25,000).
- 46% more new products were introduced to supermarkets in 1985 versus 1982; 10,000 new products a year are being introduced on supermarket shelves.
- 70% of all products in supermarkets were introduced since 1975.
- The average length of a shopping trip shrunk from just under 30 minutes in 1975 to just over 20 minutes in 1985.

To complicate the picture still further, despite the closure or rationalisation of some home shopping services, Paul Kagan Associates estimate that the home shopping industry will grow to a $2.8 billion business by 1990.

Size and Growth Rates of UK Marketing Services 1977-86

	Media Advertising £bn	%	Sales Promotion £bn	%	Public Relations £m	%	Direct Marketing £m	%
1986	5.50	12.0	6.10	[illegible]	708	18.0	517	100
1985	4.44	9.4	5.50	[illegible]	600	20.0	470	93
1984	4.06	13.4	[illegible]	[illegible]	[illegible]	16.3	430	62
1983	3.58	14.4	4.00	[illegible]	430	22.9	405	95
1982	3.13	11.0	3.50	[illegible]	350	22.3	370	194
1981	2.82	10.2	3.00	10	275	37.5	310	33
1980	2.56	19.6	2.71	11.5	200	23.5	300	154
1979	2.14	16.9	2.43	13.6	165	14.1	260	182
1978	1.83	22.8	2.14	[illegible]	142	11.8	220	294
1977	1.49	21.1	1.85	[illegible]	12[illegible]	10.4	170	308
Ten year growth rate	15.0		18.5		20.1		151	
Five year growth rate	12.1		13.3		20.9		108	

Source: Advertising [illegible]

The Opportunity – The WPP Group of Companies: Logic and Purpose

The increasing complexity and geographic broadening of the marketplace will result in clients increasingly focussing on the effectiveness of their expenditure, and in these marketing decisions being made further up the organisation. It is this increasing sophistication that will give an enhanced value-added opportunity for marketing services companies.

The value-added opportunity can be looked at this way in media advertising – if agencies receive 15% commission and the media the other 85% of clients' advertising expenditure, improving the yield on the media portion by 10% is equivalent to more than half the agency's commission. The need to develop competitive brands will all require a better strategic understanding of clients' businesses and more effective and distinctive creative breakthroughs and executions, whether in media or non-media marketing services or in different markets or continents.

As an example, recent concern at a relative recent slowdown in direct marketing expenditures in the United States has resulted in new innovations such as "*talking*" cards predicted to replace scratch cards. Customers run their card through a point-of-sale scanner which reads the barcode and activates a voice-synthesis computer chip which tells them what they have won. Or how about the new laser printer linked to a computer-driven database that can not only personalise every line of a letter, but will produce your handwriting throughout! Alternatively, the average $260-300 cost of a sales call has encouraged the use of video cassettes costing $7 to $17 per video or the emergence of telemarketing 1-900 and 976 numbers in the US and the 0800 number in the UK.

The marketing strategy behind the formation and development of the WPP Group of companies is in essence a very simple one.

In just about every country in the world, there's a rapidly growing awareness of the need for companies and other enterprises to analyse their competitive strengths and weaknesses; to set clear strategies, and to execute and promote them with accuracy and imagination. This is as true for government departments as it is for commercial concerns. *'Marketing'* is no longer the monopoly of marketing companies. *'Communication'* now means a lot more than media advertising.

The skills required to operate in this way are both rare and specialised. Few enterprises, however large, will have all the talent they require *'in-house'*. It follows that the demand for outside services, of the kind traditionally provided by advertising agencies and design consultants, continues to grow. So, too, does the range of such services – at WPP we have identified at least five distinct categories.

It's in the nature of specialised service companies to excel in one such category but seldom if ever in all. The client company, therefore, is faced with the need to choose many outside partners, of different skills, from a bewildering number of alternatives; and then ensure that they work together to a central and commonly agreed strategy.

Within the WPP Group there are now specialist companies providing all the marketing service skills required by national and international clients. These companies are encouraged to retain their own identities and sharpen their own professional skills. In many cases, their principals are their founders. Their businesses and their reputations have been built on their own talents: and the names of their clients are testimony to the quality of their service.

For WPP Group companies, membership provides the opportunity to get to know and work with peer professionals of different disciplines – with no loss of commitment to their own.

For clients and potential clients, the WPP Group concept provides the reassurance of the highest professional standards – in all skills and disciplines – and the stability that derives from being part of a large public company. These benefits hold good whether the client is making use of the talents of just one of the WPP Group companies or of many.

If this Group strategy is right for today – and it is – it will serve an increasingly valuable role for client companies in the future. The need to co-ordinate and integrate selectively corporate strategy and communications is becoming widely recognised (not however, as some argue, in the form of a one-stop shop or supermarket, or full-service). Clients are restructuring and reorganising themselves to this end – there are many benefits and efficiencies to be gained. And they will be looking for service companies who, with no loss of specialist capability, can work harmoniously together to a common brief and with shared understanding. WPP Group companies will be supremely well placed to provide such a managed and multi-disciplinary service.

As Bruce Mowery, Advertising Manager of Apple Computers, said in October 1987, *"I've yet to see anybody really integrate these functions in ways that are truly meaningful and represent a true mega-agency".*

"Full Service" versus "Integrated Selected Service"

A Monopolising Process	An Optimising Process
One-stop shopping: menu of separate items	A coherent range: communication beliefs shared (and evolving) across WPP Group
Clients initiative	Collaborative
Cost effectiveness	Profit maximisation
Trial and error	Monitoring, testing, comparing, assessing:
Switching	*Controlling*
Reactive: Defensive and conventional	Anticipative: Aggressive and innovative
Product-orientated (a "factory")	Market-orientated (consumers' needs)

WPP Group Companies

Multi-National Awards

During the last year, WPP Group companies have won over 250 major awards throughout the world, including those listed here – over 1 award for every official working day.

USA & Canada

5 Gold Awards – Oscar Mayer, PepsiCo, Nestlé, Warner-Lambert, Ford
1987 EFFIE Awards

6 First Places – Nestlé, Miller Brewing Co, Kodak, Quaker Oats, United Foundation, US Marine Corp.
Advertising Age's Best Spots of 1987

3 Gold Awards – Quaker Oats, Kodak, PepsiCo
International TV & Film Festival of New York

7 Gold Awards – McDonnell-Douglas, Quaker Oats, Burger King, Eckerd Drugs, Goodyear, United Foundation, US Marine Corp.
Award for Outstanding Creativity – Lever
Mobius Awards

2 Gold Awards – Quaker Oats, Miller Brewing
London International Advertising Festival

1 ***Clio*** Award – Berkely
Award of Excellence – PepsiCo
1988 Andy Awards

First Place – Bloomingdale's, Boca Raton
ISP/NRMA Awards

3 First Places – Bloomingdale's, Boca Raton, Woodward & Lothrop, FAO Schwarz
Chain Store Age Executive – Store of the Year

First Place – Store Planning
NADI Annual Display Awards

Gold Award – Woodward & Lothrop
Inspiration Press – Store of the World

First Place – Bloomingdale's Boca Raton
ISP/NASFM Award

2 Awards of Excellence – Carling/Foster's, Warner-Lambert
Best 30 Second Commercial – Smith & Nephew
1988 Hollywood IBA

Gold Medal – Carling/Foster's
1987 International Radio Festival of New York

Gold – Smith & Nephew
1988 BESSIES

Latin America

Agency of the Year – JWT Brazil
Brazilian Association of Advertising Agencies

Agency of the Year – JWT Rio
Adman of the Year – Lee Pavão
Ad of the Year – Kodak
Promotional Event of the Year – PepsiCo
14 Gold Medals – Fleischman & Royal, Esso, Citibank, De Beers, Kodak, Giroflex, Rio Grafica
Advertising Columnists Awards

Agency of the Year – JWT
Client of the Year – PepsiCo
Promotional Material of the Year – Citibank
Promotional Campaign of the Year – PepsiCo
9 Gold Medals – PepsiCo, Esso, De Beers, Citibank, Kodak
Brazilian Festival of Promotion – Packaging and Design

5 Gold Medals – Kodak, Philips
Brazilian Festival of Advertising Production

Gold Medal – Esso
New York Festival

4 First Prizes – IBM, Cidere Bio Bió, Apumanque Shopping Centre, Korall Detergent
National Press and Magazine Advertising Creative Awards Chile

Europe

Gold Crown Award – Mother Teresa campaign
Danish Magazine and Press Board

Gold Medal – Jasala, Foliglas
San Sebastian Film Festival

2 Andy Awards – Platin, Amstel
Advertising Club of New York

Diploma – ICL
State Award Austrian Advertising

2 First Prizes – Perafito, Bebecar
Spanish State Television Award

Best Spot of the Year – Lever Brothers
4 First Prizes – PepsiCo, Lusitania Vida, Philips, Lever Brothers
Spanish State Radio Awards

Gold Award – Persil (Lever Brothers)
Creative Circle

Gold Award – KitKat (Rowntree Mackintosh)
Irish Film Festival

Gold Medal – Manchester Evening News
International Film & TV Festival of New York

2 ***Clio*** Awards – Ford, De Beers

Gold Medal – Lever Brothers
Campaign Press Awards

Award of Merit – BP
1987 ISP Retailer Category

Silver Star – Fabergé
Institute of Packaging

Ad of the Year – De Beers
1987 Pegasus Awards

2nd Prize – WPP Group plc
Sarema Press (Publishers) Report & Accounts

Highly Commended – WPP Group plc
"Business" Annual Reports

Bronze Award – Martin Sorrell
The Wall Street Transcript

Asia-Pacific

1 ***Clio*** Award – Lever & Kitchen

Best of Category – Smith Family
Australian Writers and Art Directors Award

Gold Medal – Reckitt & Colman
International Advertising Festival of New York

7 Gold Awards – Unilever, IBM
1987 Philippines Advertising Congress

TV Commercial of the Year – Shell
3 Gold Awards – IBM, Sime Inax, Salem
Philippines Creative Guild

Henley Centre for Forecasting Limited

The Henley Centre's professional staff of 24 provide a range of consultancy and syndicated services and publications focused on the future.

Henley's expertise covers economics and econometric techniques, social research, marketing and computer operations.

Syndicated services include Planning for Social Change, Measures of Health and Sigma.

Consultancy services include total environment analysis, econometric applications, expert systems and concept and brand auditing.

In its closest collaborations with retainer clients the Centre contributes at all five levels of the strategic planning process: forecasting market prospects in relation to client resources; establishing corporate objectives; identifying and prioritising medium term strategic options and product development; assessing shorter term tactical activity; monitoring performance in the context of the evolving market environment.

BOB TYRRELL

PAUL ORMEROD

BARRIE STANIFORD

Principals:

Bob Tyrrell *Managing Director*

Paul Ormerod *Director of Economics*

Barrie Staniford *Director of Marketing & Planning*

John Rigg *Director of Policy Analysis*

David Darton *Director of Applied Social Research*

Chris Farmelo *Director of Econometrics*

David Passey *Director of Finance & Company Secretary*

Simon Avison *Director of New Product Development Studies*

Partial Client List:

Asda

Boots

British Airways

British Telecom

Burton Group

Hillier Parker

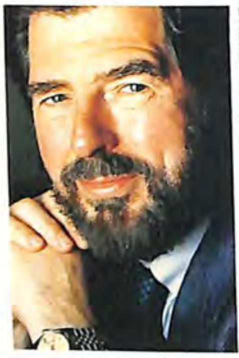
Midland Bank

Shell

Sports Council

Whitbread

Media Advertising



BURT MANNING

Partial Client List:

De Beers
Ford
IBM
Kellogg
Kodak
Kraft
Nestlé
PepsiCo
Quaker Oats
R.J. Reynolds
Rolex
Unilever
Warner-Lambert

J. Walter Thompson Company

JWT is one of the world's largest advertising agencies. It has $3.3 billion in billings, with 107 full-service offices in 46 countries. JWT is the leading agency brand in handling worldwide clients. Over 90 multinational clients account for approximately 70% of JWT's billings. JWT's leadership stems from its integrated worldwide network, its local agency strength in each country, its unique strategic planning system, and its creative reputation for effective, distinctive advertising.

Principals:

Burt Manning *Chairman and Chief Executive Officer*
Ron Burns *President and CEO, JWT Canada*
Michael Cooper-Evans *President, JWT Europe*
Edward A. Haymes *Executive Vice President, Finance and Administration*
James B. Patterson *Chairman and CEO, JWT USA*
W. Lee Preschel *Chairman, JWT Latin America and Asia-Pacific*
Peter A. Schweitzer *Executive Vice President, General Manager, JWT Detroit*
Donald F. Thompson *President, JWT Asia-Pacific and South Africa*
Wm. C. Thompson, Jr. *Executive Vice President, Multi-national Accounts and Business Development*

EDWARD A HAYMES

WM C THOMPSON JR

PETER A SCHWEITZER


JAMES PATTERSON


STEVE BOWEN

J. Walter Thompson USA

Comprising 6 full-service and 25 field offices with a unique regional broadcast buying resource, JWT USA is one of America's top 10 agencies. Over the past 10 years, JWT has created America's best-liked, best-remembered advertising – more than twice as many campaigns as the nearest competitor, according to Video Storyboard's survey of 30,000 consumers. And for 2 years running, JWT has received more EFFIE Awards for effective advertising from the American Marketing Association than any other agency.

Principals:

James B. Patterson *Chairman and Chief Executive Officer*
Stephen G. Bowen, Jr. *President*
Jeffrey L. White
General Manager, Atlanta
Alan Webb
General Manager, Chicago
Peter A. Schweitzer
General Manager, Detroit
James K. Agnew *General Manager, Los Angeles*
James R. Heekin III *General Manager, New York*
William M. Lane *General Manager, San Francisco*

Partial Client List:

Ford
Health & Tennis Corp.
Kellogg
Kodak
Kraft
Lever Brothers
Miller Brewing
Nestlé
Oscar Mayer
Quaker Oats
US Sprint
Twentieth Century Fox
US Marine Corps
Warner-Lambert

Media Advertising

Partial Client List:
Baskin Robbins
Canadair
Chesebrough-Pond's
Hyatt Regency
Kellogg
Kraft
Mattel
Northern Telecom
PepsiCo
RJR MacDonald
Schenley
Scott
Unilever
Warner-Lambert

J. Walter Thompson Canada

By several measures, JWT is Canada's leading advertising agency, employing nearly 400 people in Toronto, Montreal and Vancouver. Their reputation for being "most professional" is matched by a high standard for their creative product. In 1987, JWT Canada was rated third in the world for creativity among all agencies.

Principals:
Ron Burns *President and CEO, JWT Canada*
Marlene Hore *Executive Vice President, Vice Chairman and National Creative Director*
Paul Mead *Executive Vice President, Chief Financial and Administrative Officer*
Andy Krupski *Vice President, General Manager, Toronto*
Norman Rigg *Vice President, General Manager, JWT Direct Communications Group*
Daniel Melchers *General Manager, Montreal*
George Clements *Vice President, National Director of Research and Strategic Planning*
George Semple *Vice President, National Media Director*
Graham Catchlove *Vice President, General Manager, Vancouver*


MICHAEL COOPER-EVANS


DAVID CAMPBELL-HARRIS


CHARLES FRIEND


BURKHARD SCHWARZ

JWT Europe, with headquarters in London, is a closely integrated network of 23 full service advertising agencies servicing local and international clients in 16 countries. 1987 was an exceptional year with new clients and additional assignments from existing clients contributing to substantial growth in the region. Unity of purpose, dedication to accomplishment, and great pride in the company are the enduring factors that have contributed to our continued success in Europe.

J. Walter Thompson Europe

Partial Client List:
Bacardi
Benetton
De Beers
Kellogg
Kodak
Kraft
Nestlé
Philips
RJ Reynolds
Rolex
Unilever
Warner-Lambert

Principals:
Michael Cooper-Evans
President, Europe
David Campbell-Harris *Area Director*
Charles Friend *Area Director*
Burkhard Schwarz *Area Director*


BRITISH TELECOM – THE 'GRANDMOTHER' TV COMMERCIAL

Media Advertising

J. Walter Thompson
Asia-Pacific

DONALD F. THOMPSON

Principals:
W. Lee Preschel *Chairman of Latin America and Asia-Pacific*
Donald F. Thompson *President of Asia-Pacific and South Africa*

JWT's 23 offices in Asia-Pacific generated record growth and profitability in 1987. A decade of past investment and new office openings is now paying off for the Company with strong growth throughout Asia. The trade press lauded JWT and its affiliates as being the fastest growing agency in Hong Kong, Singapore, Thailand, Indonesia, and India. JWT's China business doubled in 1987, and Direct Marketing capability was enhanced in Hong Kong, Malaysia and Australia.

Partial Client List:
Hyatt Regency
IBM
ICI
Kellogg
Kodak
Lufthansa
Nestlé
PepsiCo
RJR Nabisco
SC Johnson
Shell
Unilever
Warner-Lambert

W LEE PRESCHEL

J. Walter Thompson Latin America

Principals:

W. Lee Preschel *Chairman of Latin America and Asia-Pacific*
Jarbas Milani *International Vice President, Finances and Administration*
Andy Fenning *Vice President, Director of Strategic Planning*

UNILEVER (LUX)

PHILIPS CHILENA S.A.

JWT is the leading advertising agency in Latin America, operating in 17 countries and servicing all JWT multinational clients as well as major local advertisers. Continuous growth and profitability in recent years despite widespread economic crises attest to JWT's professional strengths. Unique strategic planning disciplines, together with many specialist communication skills (sales promotion, merchandising, special events, P.R., direct marketing) offer advertisers the most complete communication service in the region.

Partial Client List:

De Beers
Esso
Ford
Johnson & Johnson
Kellogg
Kodak
Kraft
Nestlé
PepsiCo
Philips
RJR Nabisco
SC Johnson
Unilever
Warner-Lambert

WARNER-LAMBERT (SPARKIES)

JARBAS MILANI

ANDY FENNING

Media Advertising

Lord, Geller, Federico, Einstein, Inc

LGFE, celebrating its 21st anniversary, has enjoyed consistent growth as a full-service advertising agency. The agency prides itself on serving people and products it believes in, and its advertising has won consistent acclaim in the industry.

The agency's annual billings are $230 million. The company's services include complete account, research and media capabilities, and its creative department has been the driving force behind its reputation as a "premium brand" advertising agency.

Principals:
Norman Geller *Chairman*
Gene Federico *Vice Chairman*
J. William Wardell *President*
Agi Clark *Exec. VP Managing Director, Creative Services*
Tim Elliott *Chief Operating Officer*

Partial Client List:

Chemical Bank
Dean Witter Reynolds
IBM
New York Stock Exchange
Prince Manufacturing
Schieffelin & Company
Wall Street Journal

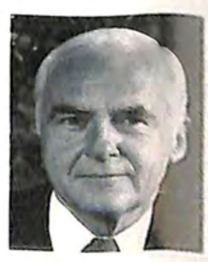
Public Relations

Hill and Knowlton, Inc

Partial Client List:
Bell Atlantic Corp
Bridgestone Corp
Exxon Corporation
Kodak
Kraft
Mazda Motor Corporation
Monsanto Company
New York Stock Exchange
PepsiCo
Quaker Oats
SmithKline Beckman Corp
Texaco Inc

The new PepsiCo commercials feature Michael Jackson.

RICHARD CHENEY



ROBERT L DILENSCHNEIDER

As worldwide Public Relations practitioners, Hill and Knowlton has experience in every industry. Among its areas of special communications expertise are high technology, travel and leisure, healthcare products and services, international trade and economic development for national and local governments, academia, labor, banking and financial services, utilities, and trade associations.

Hill and Knowlton is well known for its ability to help clients communicate effectively in crisis situations. The company has counseled more than 150 corporations involved in hostile takeover contests, and uncontested mergers and acquisitions during the last six years. It has also worked on major environmental problems, including the Three Mile Island nuclear reactor crisis in the United States and the chemical contamination in Seveso, Italy. It has intervened, in addition, in natural disasters such as the Mexico City earthquake, product additive and tainted product controversies, and other urgent situations that required professional communications capabilities.

SmithKline press conference to announce new AIDS antibody test.

Principals:

Robert L. Dilenschneider *President & Chief Executive Officer Hill and Knowlton, Inc.*

Richard E. Cheney *Chairman, Hill and Knowlton, Inc.*

Robert K. Gray *Vice Chairman, Hill and Knowlton, Inc. and Chairman, Hill and Knowlton USA*

Thomas E. Eidson *Executive Vice President, Hill and Knowlton, Inc. and President & Chief Operating Officer, Hill and Knowlton USA*

Claudio Belli *President and Chief Executive Officer – Europe, Africa and Middle East*

Arnold A. Tucker *Executive Vice President, Hill and Knowlton, Inc. and President & Chief Executive Officer, Hill and Knowlton Asia Pacific*

David Wynne-Morgan *Chairman, Hill and Knowlton (UK) Ltd.*

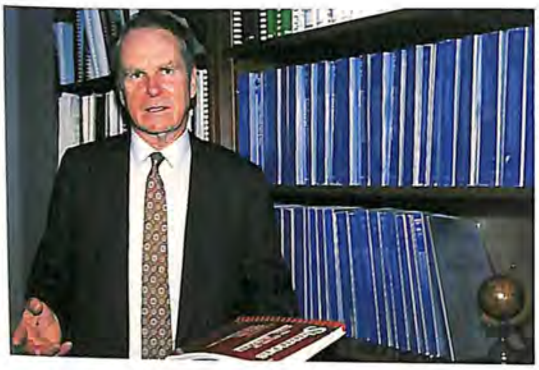
THOMAS E EIDSON

DAVID WYNNE-MORGAN

ARNIE TUCKER

CLAUDIO BELLI

Market Research



FRANK STANTON

MRB Group

MRB Group is the sixth largest market research company in the world. The company consists of Simmons Market Research Bureau and Winona Market Research Bureau in the US, British Market Research Bureau, Mass-Observation and MRB International in London, Basisresearch in Frankfurt, and Japan MRB in Tokyo.

The largest single product offered by MRB is the Simmons "Study of Media and Markets." This annual sampling of 19,000 US adults, now in its 25th year, yields well over 350 million pieces of information on media usage, product and brand purchase behavior, leisure activities, lifestyle and life stage information. In addition to publication in 43 volumes, the database is also available in a unique microprocessor system - CHOICES.

Winona, equal in size to Simmons, is recognized for its state-of-the-art 210 station computer assisted telephone interviewing system and for its quantitative full service studies.

British Market Research Bureau, MRB's largest UK company, specializes in large-scale quantitative surveys for major manufacturing companies, and is heavily involved in research for the public sector. BMRB also runs the Target Group Index (TGI), the premier source of media planning information in the UK.

MRB's second UK company, Mass-Observation, specializes in problem-solving research on branded consumer goods. Included among its offerings are simulated test market services for predicting the performance of new products.

CHOICES – UNIQUE DATABASE ACCESS

COMPUTER ASSISTED TELEPHONE INTERVIEWING SYSTEM IN OPERATION

FRANK STANTON, JOHN MAHER, JOEL CANTOS

DICK McCULLOUGH

MRB International, although based in the UK, offers a worldwide research capability. Last year it conducted surveys in over 20 countries.

Basisresearch, Frankfurt, offers top quality survey research throughout West Germany; with expertise in opinion polling, media research, consumer trends, motoring and pharmaceutical research.

Japan Market Research Bureau (JMRB) offers a vital route to understanding the Japanese consumer for multi-national companies considering entry or development in the Japanese marketplace.

DEVELOPING SALES STRATEGY – SMRB

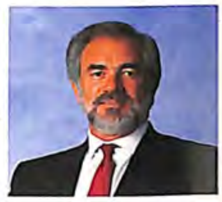
Principals:

Frank Stanton *Group Chairman and CEO*
John Maher *Group Executive Vice President*
Tim Bowles *CEO – MRB Group Ltd*
Dick McCullough *CEO – Winona MRB*
Joel Cantos *Group CFO*

Non-Media Advertising
Graphics & Design


NICOLAS SIDJAKOV


MIKE PURVIS


JERRY BERMAN

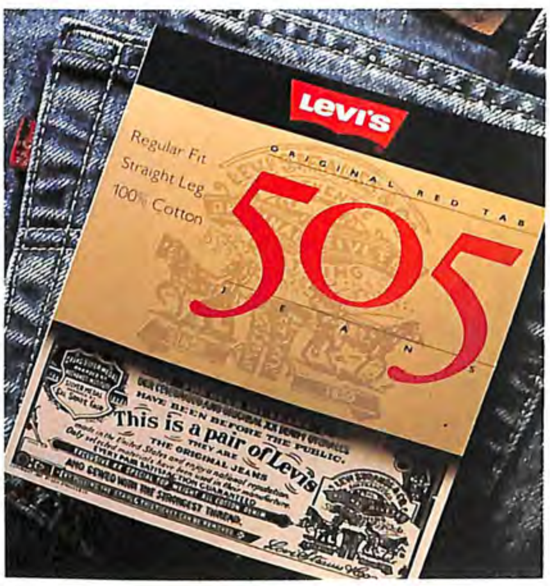

LARRY ROELLIG


FLAVIO GOMEZ


JEFF IVARSON

Sidjakov Berman Gomez & Partners


BARBARA VICK




COURTNEY REESER


BARRY DEUTSCH


JOCK CAMPBELL

Founded in 1981, Sidjakov Berman Gomez & Partners is a unique marketing communications firm specializing in total communications planning for corporations in all types of industries. It provides interrelated expertise with special emphasis on package design, corporate identification, retail facilities design, and name development.

Partial Client List:
Anheuser-Busch
Citicorp
Colgate-Palmolive
Del Monte
Frito-Lay
General Foods
General Mills
Kraft
Levi-Strauss
Nestle
Ralston Purina
The Pillsbury Company
Quaker Oats
Xerox Corporation

Principals:
Nicolas Sidjakov, *Creative Director*
Jerry Berman, *Creative Director*
Flavio Gomez, *Director, Account Management*
Michael Purvis, *Account Director*
Larry Roellig, *Account Director*
Jeffrey Ivarson, *Account Director*
Barbara Vick, *Design Director*
Courtney Reeser, *Design Director*
Barry Deutsch, *Design Director*
Jock Campbell, *Production Director*


KENNETH H WALKER


LAWRENCE J ISRAEL


JOSEPH ROHER


MARK PUCCI


MARTIN JERRY


DAVID WALES


WYATT NEEL


TONY LoGRANDE


ROBERT CARULLO


ERIC BRESS


BILL KEENAN

Walker Group/CNI Inc

Walker Group/CNI is a leading North American retail design consultancy with an international client base. The staff of 130 includes professionals in architecture, retail planning, interior, graphic and industrial design, merchandising and market research. Design disciplines include department, specialty and multi-unit stores, shopping center and public space architecture, corporate interiors, restaurant design, packaging, environmental graphics and corporate identity programs. Since its inception in 1970, the firm has won 70 design awards.


THE COURTHOUSE CHAIR FOR GUNLOCKE


FAO SCHWARZ

Principals:

Kenneth H. Walker FAIA *President & CEO*
Lawrence J. Israel AIA *Chairman*
Joseph Roher *Vice President & COO*
Mark Pucci *Principal-in-Charge Los Angeles Office*
Martin Jerry *Vice President, Director of Design – Studio I*
David Wales *Vice President, Director of Design – Studio II*
Wyatt Neel *Vice President, Director of Design – Los Angeles Office*
Tony LoGrande AIA *Vice President*
Robert Carullo *Vice President*
Eric Bress *Vice President*
Bill Keenan *Vice President*

Partial Client List:

Bloomingdales
Citibank
FAO Schwarz
Gap Stores
Galeries Lafayette
Hallmark
Harrods
J.C. Penney
L'Oreal
Lucky Stores
Saks Fifth Avenue
Reebok
The Rouse Company
Wanamakers


BLOOMINGDALES, BOCA RATON ATRIUM

Non-Media Advertising
Graphics & Design

Principals:
Brian P Key *Chairman/Chief Executive*
Stephen Todd *Managing Director*
Jeremy Rewse-Davies *Design Director*
Brian Thorn *Finance Director*
Derek McConnell *Marketing Director*
Andrew Howard *Design/Sales Director*
Stephen Hitchins *Graphics Director*


UNITED DISTILLERS GROUP

Business Design Group Limited

Business Design Group works with clients on office and commercial interiors offering a number of related consultancy services. These range from building analysis, space planning, interior design, corporate graphics and sign systems, to full project management, product supply and implementation with their own staff.
Essentially different from most conventional interior design practices, the company and its designers believe in working with management to assist the productivity of people at work. Major clients such as American Express and Black & Decker use the company's services in a number of locations throughout the UK.
The group has design offices in five locations in the UK, employs over 130 staff, 60 of whom are designers or architects, and has invested heavily in computerisation. A large list of clients benefit from a strong commitment to on-going service and facility management.


SECURITY PACIFIC


AMERICAN EXPRESS

Partial Client List:
Security Pacific
Distillers Group
Peat Marwick McLintock
Thorn EMI (Radio Rentals & DER)
Bank of Boston
Kodak
Honeywell
Securities and Investment Board
The Lex Group
Coopers & Lybrand
Merrill Lynch
Oppenheimer
Unilever
Gateway Foodmarkets

Non-Media Advertising

Graphics & Design

DRJ YOUNG

GP OAKLEY

MA SIMMONDS

AJ TAYLOR

AI STUART

OYA Group

The OYA Group is a multi-disciplined design consultancy incorporating three separate divisions. OYA Design is responsible for corporate graphics, packaging and print design, OYA Interior is a retail and leisure design specialist, and OYA Fourth Dimension handles merchandising and point-of-sale design and production.

The OYA Group has an established reputation in retail and cosmetics areas, and has planned further development into design for leisure and corporate marketing services.

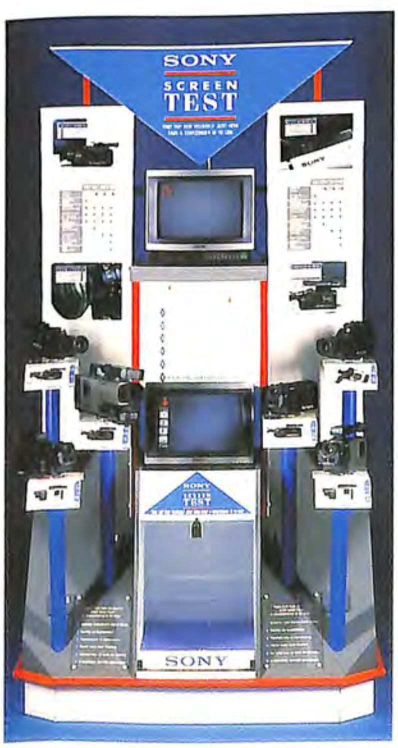
RG SPENCE

Principals:

Paul Oakley *Joint Chief Executive*
David Young *Joint Chief Executive*
Robin Spence *Managing Director, OYA Fourth Dimension*
Mark Simmonds *Managing Director, OYA Interior*
Alan Stuart *Managing Director, OYA Design*
Alan Taylor *Creative Director, OYA Design*

Partial Client List:

Ansells Sales
Boots
Burton Group
Charles of the Ritz
Dixons Group
Homebase
Kenwood
Monsanto
Parker Pen (UK)
Pentos Retailing Group
J Sainsbury
Showerings
Sony UK
Yardley of London



Non-Media Advertising
Graphics & Design

KODAK RETAIL STORE DESIGN

Partial Client List:
British Gas
Chesterton
Citizen Europe
Daiwa Securities
Digital Equipment Company
Grosvenor Estate
Kodak
Legal & General
Metal Box
Olympia & York
PepsiCo
Rugby Cement
The Crown Estate
TSB England and Wales

Sampson/Tyrrell Limited

Sampson/Tyrrell describe their unique approach to solving communications problems as Image Management. Image Management is the direction of all a company's visual communications so that two key areas interact: *Corporate communications* support the marketing of products – as well as projecting the company to best effect. *Marketing communications* enhance the corporate image – as well as marketing products or services to best effect. *Services include:* Corporate identity, communications audits, annual reports, corporate publications, marketing consultancy, sales literature, packaging, point-of-sale material, exhibitions.

Principals:
Martin Sampson *Joint Chief Executive*
Terry Tyrrell *Joint Chief Executive*
Peter Widdup *Director*
Dave Allen *Director*
Donough O'Brien *Director*
Michael Selway *Director*
Peter Gomme *Director*

HMV - McCOLL


WINDSOR HOUSE
NORWICH UNION INSURANCE GROUP
McCOLL


FESTIVAL MARKET PLACE MANCHESTER - McCOLL

Stewart McColl Associates plc

Founded in 1974, Stewart McColl Associates plc comprises McColl and Geoffrey Reid Associates, and offers a multi-disciplinary service of architecture, interior, graphic and product design. The group is active in a diversity of market sectors including shopping centres, offices, light industrial and hi-tech, High Street retail chains, residential, corporate identity and communications and leisure and urban regeneration.

McColl
Partial Client List:
Burton Group
Church Commissioners For England
Halifax Building Society
Merlin International Properties
Prudential Assurance
Richardson Developments
Shell International

Geoffrey Reid Associates
Partial Client List:
Burton Group
Commercial Union Assurance Company
Guardian Royal Exchange Assurance
MEPC
Marks & Spencer
Ratners Group
Trafalgar House

Principals:
Standing, left to right
Chris Hacking *Director – Geoffrey Reid Associates*
Stewart McColl *Chairman – Stewart McColl Associates plc*
Geoffrey Reid *Managing Director – Geoffrey Reid Associates*
Gordon Watson *New Business Director – McColl*
Seated, left to right
Tom Ball *Chief Architect – McColl*
Ian Grant *Finance Director – McColl & Geoffrey Reid Associates*
Stefan Zachary *Managing Director – McColl*
David Stanford *Director – Geoffrey Reid Associates*

THE WHITE HOUSE OFFICE DEVELOPMENT


GUARDIAN ROYAL EXCHANGE
GEOFFREY REID ASSOCIATES

Non-Media Advertising

Graphics & Design

VAP Group Limited

Design specialists in packaging and promotional, technical and educational material, VAP also provides a related and integrated above-the-line agency service.

VAP Design Consultants Graphic design, packaging, corporate identity, point of sale and exhibition stand design

VAP Advertising & Marketing Fully integrated above and below-the-line campaigns, media planning and buying.

VAP Publishing Services Book design, marketing consultancy for publishers, typesetting and artwork.

VAP Resources In-house litho colour printing, specialist PVC printing, typesetting and artwork, special project management.

Principals:

Philip Flook *Chairman (Non Executive)*
Trevor Jones *Managing Director – VAP Group*
Charles Day *Divisional Director – VAP Design Consultants*
Brian Evans *Account Director – VAP Design Consultants*
Andy Cooke *Divisional Director – VAP Advertising & Marketing*
Frank Harte *Divisional Director – VAP Resources*
Ricky Capanni *Divisional Director – VAP Publishing Services*
Robert Jones *New Business Director – VAP Group*

Partial Client List:

Rank Xerox
Austin Rover Group
Oxford Instruments Group
The Housing Corporation
Amersham International
Hella
Oxford University Press
Longman Group
Wm Collins Sons & Co
Black & Decker
Social Survey (Gallup Poll)
Country Dairies
CSE Aviation
Vauxhall Motors

Greaves Hall Limited

Greaves Hall was formed in 1984 by experienced and multi-disciplined professionals with the philosophy of integrating creative skills with a precise marketing requirement. This philosophy, combined with efficient service and a value for money approach, has resulted in an extensive portfolio of household name clients. Specializations are in packaging, below the line literature and corporate communications.

MALCOLM GREAVES

IRENE HALL

Principals:

Irene Hall *Sales Director/Joint Chief Executive*
Malcolm Greaves *Creative Director/Joint Chief Executive*

Partial Client List:

ARC Construction
Burmah Castrol
Digital Equipment Company
GEC Large Machines
Honeywell-Bull
Imhof Bedco Standard Products
Kraft
Land Rover
Peugeot Talbot
Rank Xerox
Arthur Sanderson & Sons
Spontex


DAVID EVANS

Grass Roots Group plc


FRANK BAILLIE


RIK BURRAGE


ROB DARCUS

Principals:

David Evans *Chairman & CEO*
Frank Baillie *Managing Director – Bonusplan*
Rik Burrage *Managing Director – Grass Roots Partnership*
Rob Darcus *Creative Director*
John Doe *Director – Client Services*
Julie Hewer *Finance Director*
Roger Kilner *Director – Group Travel & Events*
Jim White *Director of Management Services*
Raymond Wood *Group Finance Director*


JOHN DOE


JULIE HEWER


JIM WHITE


RAYMOND WOOD

Client Areas:

Agricultural Supplies
Automotive Manufacture and Distribution
Automotive Supplies
Banking
Client Industries
Computer Manufacturers
Computer Distribution
Consumer Credit
DIY Supplies
Electrical Appliances
Financial Services
Horticultural Supplies
Insurance Companies
Petrol and Oil Supplies
Pharmaceuticals
Retailing


PENNYROYAL COURT

The Grass Roots Group is a collection of services. They are dedicated to meeting the growing needs of industry and commerce to motivate staff, trade partners and customers. To achieve these objectives, the company combines creative communication, skills improvement and incentive motivation.

These services have been organised to provide clients with a focal point for their activities while providing the detailed back up necessary to ensure minimum client administration and maximum control.

The Group is arranged into five distinct units: Motivation planning & Skills Improvement; Bonusplan incentive management; Direct Communication and, finally, Travel and Convention Management. These units are linked through the fifth unit, a highly-advanced computer division which provides an invaluable data stream on all client activity.

LAURA A MORGAN

PHILIP J CHRISTEY

P & L International Vacationers Ltd

International Vacationers has for the past 12 years specialised in organising custom-made events for clients worldwide. These include the creation, planning and operation of incentives, conferences, product launches, special interest programmes and corporate entertaining. From its Piccadilly Circus base the company can create the perfect event for its blue-chip clients who are based in the UK, Europe, Scandinavia and North America.

Partial Client List:

Allied-Lyons
Grand Metropolitan Group
Ciba Consumer Pharmaceuticals
Gillette
IBM
Paine Webber
Phoenix Mutual Life Insurance
Standard Life Assurance
The Boots Company (USA)
Unipart

Principals:

Laura A Morgan *Managing Director*
Philip J Christey *Chairman*
Veronica R Bliss *Director of Operations*
Susan P Rusdell *Financial Controller*
Rosalind Miller *Sales Director*

Einson Freeman, Inc

Founded in 1909, Einson Freeman has long been a leader in the dynamic field of sales promotion. Now ranking fourth among full-service promotion agencies in the U.S., Einson Freeman offers a breadth of marketing services, from strategic planning and award-winning creative through to final execution. Its list of blue-chip clients includes some of the biggest names in American industry . . . clients that have helped Einson Freeman grow at a compound rate exceeding 20% over the last five years.

Principals:
P. Jan Anstatt
Chairman & CEO
Jeffrey K. McElnea
President
William F. Rosenthal
Executive Vice President
Alan D. Berry
Senior Vice President
Gordon Summer
Senior Vice President
Robert R. Wechsler
Senior Vice President
Charles M. Young
Senior Vice President
William H. Horne
Vice President

Partial Client List:
Air France
AT&T
Burger King
Chesebrough-Pond's
CPC/Best Foods
Colgate Palmolive
Ralston Purina
Kimberly Clark
Kodak
PepsiCo
Reynolds Metals
Stanley Tool
Stuart Pharmaceuticals
Time, Inc. (People Magazine)
Trintex (IBM/Sears)

Non-Media Advertising

Sales Promotion

Mando Marketing Ltd

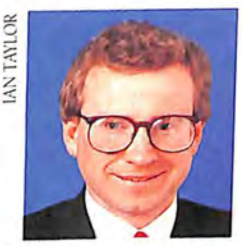
PAUL SANCHEZ, CLIFF ASH, BRIAN GIBB

ALAN SELBY

Mando Marketing – a below-the-line sales promotion agency – headquartered in Waddesdon, Buckinghamshire and supported by its London office in New Oxford Street, services a wide range of clients in all aspects of sales promotion. Areas of specialization include Fixed Fee promotions, eliminating the risk of over redemption for clients from the outset, as well as fulfillment of promotions which are handled in-house from concept to consumer redemption and mail-out.

MARTIN KENT

IAN TAYLOR



Principals:
Alan Selby *Joint Chief Executive*
Cliff Ash *Joint Chief Executive*
Paul Sanchez *Managing Director*
Brian Gibb *Account Director*
Martin Kent *Account Director*
Ian Taylor *Account Director*

Partial Client List:
BP
Brooke Bond Oxo
Mars
Pretty Polly
Quaker Oats
Sichel

Principals:

Glasgow:
Harry Scott *Joint Managing Director*
Raymond Stern *Joint Managing Director*
Bill Mather *Creative Director*
Jim Waterson *Associate Director*
Gordon McBride *Associate Director*

London:
Ian McAllister *Director*
Edinburgh:
Richard Dickson *Director*

IAN McALLISTER

HARRY SCOTT

JIM WATERSON RAYMOND STERN, BILL MATHER GORDON McBRIDE

Scott Stern Associates

Scott Stern is a creative consultancy providing a unique blend of sales promotion and design services for many of the U.K.'s most prestigious accounts.

Its expertise in packaging design is complemented by its knowledge and understanding of sales promotion and the sophisticated techniques required in today's market place.

In January 1988 Scott Stern opened an office in Edinburgh to offer an on-the-doorstep service for existing clients, and provide a further base for future development.

Partial Client List:

Allied-Lyons
Barker & Dobson
IBM
Johnsons Wax
Letraset
Philips TMC
Reed International
Scottish & Newcastle Breweries
Scottish Daily Record & Sunday Mail
Seven-Up
South of Scotland Electricity Board
Unilever
United Biscuits
United Distillers Group

Non-Media Advertising

Audio Visual & Visual Communications

DAVID PACY

IAN TAYLOR

GERALDINE SCHER

MetroVideo Limited

The only professional video company offering its clients the full spectrum of creative and technical services and facilities, MetroVideo's principal activities of supplying video and a-v equipment for hire, purchase and systems installation have been enhanced with the opening of its Soho branch to develop broadcast hire and tape transfer/duplication facilities. The high degree of expertise offered covers the creative fields of programme production and conference design and staging.

Principals:

David Pacy *Managing Director*
Paul Jackman *Operations Director*
Geraldine Scher *Marketing Director*
Ian Taylor *Financial Director*

PAUL JACKMAN

Partial Client List:

Argyll Stores
British Telecom International
Boase Massimi Pollitt
BBC
Central Electricity Generating Board
Central Office of Information
De Beers
Mobil Services Company
NCR
Prudential
Price Waterhouse
Reuters
University of London
Wellcome Foundation

The Mighty Movie Company

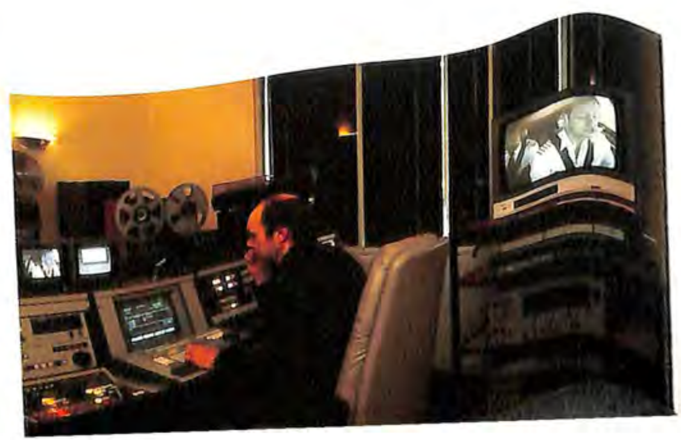
The Mighty Movie Company is a creatively led production company specializing in all aspects of business television. For its broad client base it produces programmes for training, promotion, PR, information, advertising and corporate use. The combination of experienced production personnel and broadcast standard cameras and post-production facilities, together with a full-time editor, ensure that the clients' brief is fully understood, and that effective programmes are produced on time and to a budget.

Principals:

David Hughes *Managing Director*
Genevieve Patissier
David Pacy

Partial Client List:

The Army
British Airways
Central Office of Information
Colonial Mutual
Health & Safety Executive
Kimberly Clark
Manpower Services Commission
Mercedes Benz
Nationwide Anglia
Prudential
The Royal Navy
J Sainsbury
STC
Storehouse Group



Specialist Communications

KEN LOVE

BILL SCHNEIDER

KEN ROBERTS

RUSS ANSPACH

GENE GROSSMAN

JOEL PORTUGAL

Anspach Grossman Portugal Inc

With 20 years of experience in identity consulting we have worked closely with nearly 250 organizations worldwide. We help create a competitive advantage for our clients through thorough analysis, systematic planning and innovative design. We view design in its broadest sense. It is the visual manifestation of the solutions discovered during analysis and plotted during the planning stage. Our clients' success is the best measure of our success.

Principals:
Gene Grossman
Ken Love
Joel Portugal
Ken Roberts
Bill Schneider
Russ Anspach
Steve Lawrence
Tony Spaeth
Anne Tynion
Barbara de Groot
Bob Wolf
James Ferris

Partial Client List:
American Express
Boehringer Mannheim
Citibank
National Australia Bank
Navistar
Price Waterhouse
Quaker Oats
Raytheon
Sanyo
Sara Lee Corporation
Sun
Texaco
Unisys

Specialist Communications

Brouillard Communications

Brouillard Communications is the leading U S agency specializing in corporate and financial services advertising and public relations.

Since 1981, when the Corporate Communications Division of J. Walter Thompson became Brouillard Communications, the agency has nearly doubled in size to more than $70 million in billings.

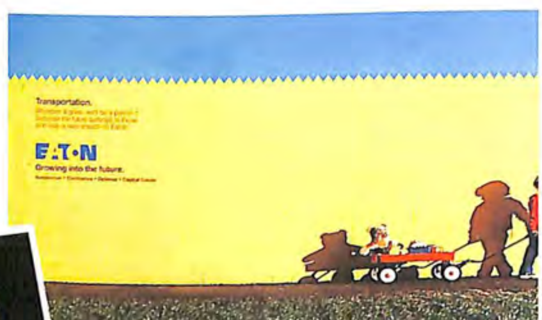
Recognized for its strategic planning skills and outstanding creative work, last year Brouillard Communications added four new accounts and won 27 creative awards in television, radio and print.

Principals:

James H. Foster
President and
Chief Executive Officer

Irene Hansen
Senior Vice President,
Administration and Finance

Terrence N. Hill
Senior Vice President,
Executive Creative Director



Partial Client List:

American Gas Association
Atlantic Mutual
Australian Meat & Live-Stock
Blue Cross/Blue Shield
CM Alliance
Eaton
Goldman Sachs
Goodyear
Financial Security Assurance
Irving Trust
Johnson & Higgins
Municipal Bond Investors Assurance
Texas American Banks
Textron

PETER WONG

DAVID GELIEBTER

Harvard Capital Group Inc

Founded in 1982, Harvard Capital Group is a financial communications company. It provides marketing services including design, copywriting, media buying, graphics and the production of promotional material, marketing consultancy and support services for the placement of new debt and equity issues, such as initial public offerings, mutual funds and limited partnerships. It also provides related services such as investor communications, direct marketing, media advertising and the design of annual reports and capability brochures.

Principals:
David Geliebter *President*
Robert Wallace
Director of Creative Services
Peter Wong *Design Director*

Partial Client List:
American Finance Group
Bear Stearns & Company
Liberty Mutual Insurance Company
McDonnell-Douglas Capital Finance
Merrill Lynch & Company
Metropolitan Life
The New England (formerly New England Life)
Paine Webber Incorporated
Prudential-Bache Securities
Shearson Lehman Hutton

Specialist Communications

Mendoza, Dillon & Asociados, Inc

Major advertisers are increasingly aware of the need to reach the Hispanic market of the United States effectively – an audience which now exceeds 26 million people. Mendoza, Dillon & Asociados, founded in 1979, is the leading Hispanic advertising agency. Strong account and creative teams that include professionals of Mexican, Puerto Rican and Cuban origin have helped build the billings to $40 million plus, registering growth in excess of 30% in each of the past three years. The agency has been built by demonstrating that its advertising campaigns, aimed at the Hispanic market, increase sales volume for clients' brands. As an indication of its creative scope, the agency was recently chosen to develop the Spanish-language public service campaign for the DEA-FBI Drug Reduction Program.

Principals:
Richard Dillon *Chairman*
Eduardo del Rivero *Sr. Vice President/Client Services*
Deborah Gagné *Vice President/Administration*
Robert Howells *Sr. Vice President/Client Services*
Andrés Sullivan *Sr. Vice President/Creative Director*

Partial Client List:
Johnson & Johnson
Miller Brewing
McNeil Consumer Products
General Foods Corporation
Levi Strauss
Denny's
Chesebrough Pond's
DOW Consumer Products, Inc.
Joseph Seagram's & Sons
H J Heinz
Kraft
Wendy's International
James River Corporation
Cover Girl Cosmetics

Hispania Advertising Inc

Hispania, established in 1980, is a full service advertising agency, specializing in Spanish language advertising targetted to US Hispanics.
Hispania is staffed by bi-lingual, bi-cultural advertising professionals with in-depth knowledge of the research, marketing, creative, and media requirements of the market. It serves clients such as Kraft, Sears, Ford, and Warner-Lambert.
Headquartered in New York, Hispania also has a Chicago office staffed for account services.

Key People:
Caroline Demy *General Manager*
Marta Perez-Gerdes *V.P., Account Supervisor*
Alfredo Jarrin *V.P., Creative Director*
Carlos Cintron *Media Director*

FORD TEMPO LX
"DRIVING LESSON" :30


CAROLINE DEMY


MARTA PEREZ-GERDES


ALFREDO JARRIN


CARLOS CINTRON

JWT Direct Operations

This full-service agency is the division of J. Walter Thompson USA specializing in direct response advertising – those communications where objectives are to generate specific, measurable response, and carry on one-to-one dialog with individual customers or prospects. With headquarters in New York, and a further 16 offices in 12 countries including the USA, JWT Direct provides expertise in the planning, execution and analysis of direct marketing programs in media ranging from direct mail and print, to television, telemarketing and today's experimental electronic media.

Principals:
Earl Bahler *President*
Linda Loose *Senior Vice President General Manager*
Mark Hallen *Senior Vice President Creative Director*

Partial Client List:
Ford
McDonnell-Douglas
Trintex
US Marine Corps.


EARL BAHLER


LINDA LOOSE


MARK HALLEN

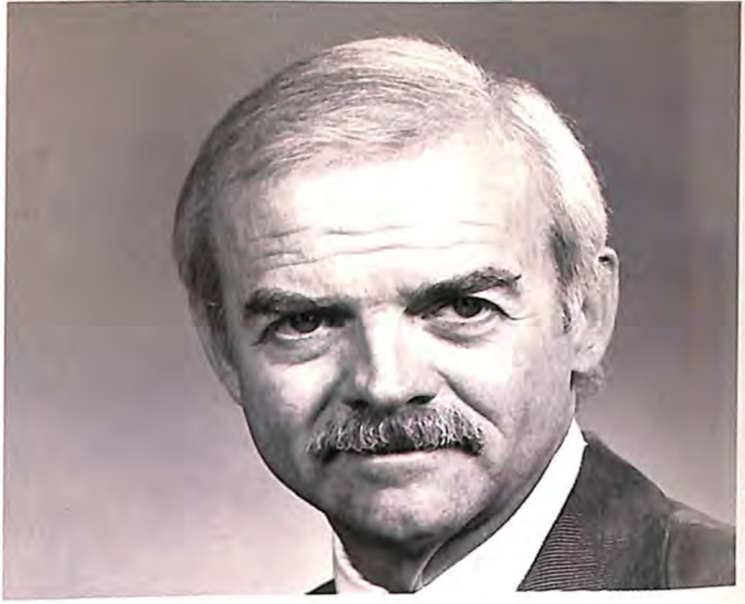
EWA Limited

EWA have become recognised experts in the provision of information systems and direct marketing production services. Information systems are individually designed to meet clients' needs, which enables them to benefit from our in-house data management and control experience. Emphasis is placed on maximising the utilisation, usefulness, data integrity and analytical processes of any application. Marketing services include data control and restructuring, event management, high and low volume laser print, lettershop and fulfilment.

Principals:
Eric Wright *Chairman*
Julian Thomas *Managing Director*

Specialist Communications

Partiale Client List:
Eli Lilley
RJR Nabisco
Miles Laboratories
Roxane Laboratories
Dista Products



JACK STEVENS

J. Walter Thompson Healthcare Group

CYNTHIA KRIMEZIS

The J. Walter Thompson Healthcare Group has 8 offices in 5 countries and consists of five separate integrated profit centers.

Deltakos USA – Advertising and Sales Promotion

Center for Healthcare Communications – Symposia, Professional Articles

Medical Research Center – Market Research, Focus Groups, Conventions

Art Design Studio (ADS) – In-house creative studio

Medical Projects Group – Any other special projects.

The Group provides total marketing services to any client who wishes to influence the Professional Healthcare Community, eg Physicians, Nurses, Pharmacists, Dieticians, Dentists, Hospitals, HMO's.

PHIL FIORELLO

BOB VOGEL

PETER MIRABELLA

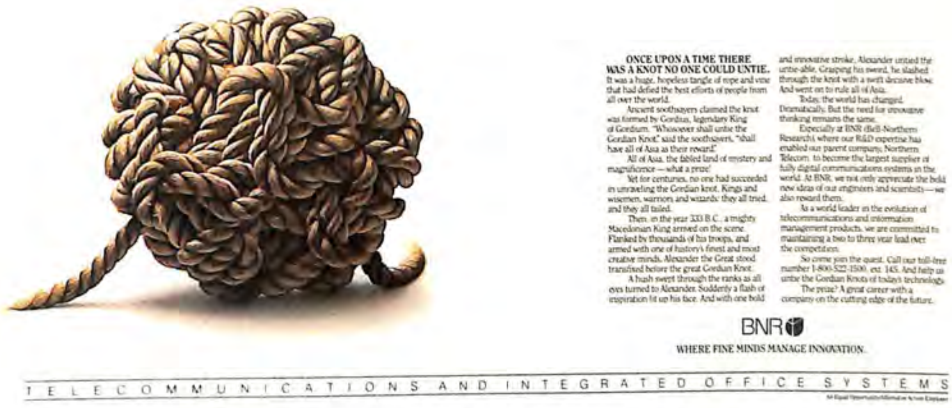
Key People:
Jack Stevens *Chairman*
Cynthia Krimezis *President, Deltakos*
Phil Fiorello *Senior V.P., Creative Director, ADS*
Bob Vogel *Senior V.P., Managing Director, CHC*
Marcia Stiles *V.P., Managing Director, MRC*
Peter Mirabella *V.P., Administration*

DON ROBERTSON

Thompson Recruitment Advertising is a leading full-service recruitment advertising agency, servicing some 1,100 corporations and institutions through its 27 offices located throughout the United States. 1987 was the most successful year in Thompson Recruitment's 40-year history. Its creative leadership reputation was further enhanced in 1987, contributing to an above-average year in new clients gained. The company's investment in office automation, graphics, and production technology similarly contributed to its competitive strength.

Principals:

Don Robertson *President*
Gerry Bluett *Senior Vice President, Finance*
Mike Gill *Senior Vice President, Creative*
Carl Hight *Senior Vice President, Midwest Operations*
Chuck Loven *Senior Vice President, Personnel*
Kim Macalister *Senior Vice President, Western Operations*
Stan McIntee *Senior Vice President, Eastern Operations*
Jim Willette *Executive Vice President, Client Services*



Thompson Recruitment

GERRY BLUETT

MIKE GILL

Specialist Communications


MILTON BAGLEY

Partial Client List:

Calton Homes
Dellwood Foods
FPA Corporation
Goodstein Management
Haft-Gaines, Developers
Hovnanian Enterprises
HJ Kalikow
Orleans Developers
MJ Raynes
Rose Associates
Charles H. Shaw Company
Solomon Equities
Trammel Crow
World-Wide/Zeckendorf Realty Corporation
DeMattis Organization
Starrett Building Co

Principals:

Milton Bagley *President and Chief Executive Officer*
Richard Nulman *Executive Vice President and Chief Operating Officer*
John Grimes *Vice President*
George Neuhaus *Chief Financial Officer*
Randall Arthur *Vice President*
Steven Erenberg *Vice President and Creative Director*
Lawrence Turk *Vice President*


RICHARD NULMAN
JOHN GRIMES


STEVEN ERENBERG
RANDALL ARTHUR, LAWRENCE TURK

Pace Communications Group Inc

Pace is a full-service advertising agency known for its specialized capabilities in the area of residential and commercial real estate. In this field, it has attained a position of leadership in the eastern United States, representing properties and developers from New England to Florida, in markets both local and international in scope, and in every aspect of the marketing process. Despite this concentration, Pace also serves clients in such other categories as foods, apparel, retailing and financial services.


MATTHEW REESE


JOHN ASHFORD


LYNN POUNIAN


CHARLES WELSH

REESE
COMMUNICATIONS
COMPANIES

Partial Client List:
American Medical International
AT&T Communications
CSCAR (a coalition of utility companies supported by Edison Electric Institute)
Drexel Burnham Lambert
Electronic Industry Association of Japan
Georgia Power
Gulf States Utilities
McDonnell-Douglas
Natural Gas Supply Association
Peabody Coal Company
Philip Morris, USA
Philip Morris International
Southern Company Services

Reese Communications is a U.S.-based direct marketing firm specializing in grassroots communications to sell products, improve corporate images and win legislative battles. Much of RCC's success results from its use of geodemography to identify and educate a client's most desirable prospects.
RCC's services include:
Strategic planning, survey research, market segmentation and message development, graphic design, direct mail and list maintenance, production management, telemarketing.

List of Principals:
Reese Communications Companies
Matthew Reese *Chairman and Chief Executive Officer*
Lynn Pounian *President and Chief Operating Officer*
John Ashford *Senior Vice President—Marketing*
Targeting Systems, Inc. (a division of RCC)
Charles Welsh *President*


MARIO TROMBONE

Tromson Monroe Advertising Inc

Tromson Monroe has been a leading specialist agency in the fields of travel and leisure marketing communications for more than 25 years. It is a full service agency producing award-winning advertising and promotional campaigns, public relations, audio visual design and production and consultancy for the hospitality industry. Its clients are global and include government tourism boards and trade commissions, airlines, cruise lines, hotels, travel agencies and communications services.

Principals:
Mario Trombone
Chairman
Ilse Trombone
Executive Vice President
Michael Youngman
Senior Vice President Marketing
Stanley Feuer
Vice President Finance

Partial Client List
Antigua Government
Bermuda Star Cruise Line
Calaber Telecommunications Network
Frenchmans Reef St. Thomas
German National Tourist Office
Golden Tulip Aruba Caribbean
Hilton Hotels - Regional
Liberty Travel/Gogo Tours
LRP Video
Micato Safaris - Kenya
Royal Antiguan Hotel
Savoy Hotels
Sofitel Hotels
South Seas Plantation
TCOM


ILSE TROMBONE

MICHAEL YOUNGMAN


STANLEY FEUER


The Entertainment Group

JWT Entertainment fulfills the fast-paced and media-intensive needs of leisure accounts including motion pictures, pre-recorded videocassettes, television programming and amusement parks. The core group in Los Angeles and New York consists of account service, media, traffic, and print production personnel well-versed in entertainment marketing. The Group relies on JWT Los Angeles, where it is based, for creative and other required disciplines, as well as drawing on the complete resources of JWT USA to accomplish client objectives.

Principal:
Richard T. Markovitz
Senior Vice President, Account Director

Partial Client List:
20th Century Fox
Paramount Home Video
Universal Television
Premiere Magazine

Manufacturing

Wire & Plastic Products

Wire & Plastic Products was founded in 1958 at Dartford, Kent to manufacture wire goods. It is headed by the founder Managing Director, Gordon Sampson, who supervises and co-ordinates the activities of a number of companies classified into the following four divisions:

GORDON SAMPSON

Alton Wire Products (Kent) employs seventy people and manufactures domestic plastic coated wire goods which are sold to the hardware departments of many stores under the trade name of Delfinware. Sales are controlled by Mike Simmonds, who has been with the company twenty years.

MIKE SIMMONDS

Staffordshire Holloware (West Midlands) employs fifty people and manufactures aluminium cookware which is marketed under the name of Histon Evercool to both wholesale and retail outlets. It is headed by Des Green who has been with the company twenty years.

DESMOND GREEN

North Kent Engineering (Kent) employs forty-five people in the manufacture of stainless steel laboratory equipment used by most of the large research centres. It is headed by Tony Stebbing who has been with the company twenty-seven years.

ANTHONY STEBBING

Refrigeration Bournemouth (Dorset) employs sixteen people and supplies, fits and leases refrigerators and shopfitting equipment to independent stores. It is headed by Brian Simpkin who has been with the company eight years.

BRIAN SIMPKIN

Partial Client List:
ASDA
Bentalls
Boots
Fine Fare
Fisons
Gateway Foodmarkets
Glaxo
ICI
John Lewis Partnership
Littlewoods
Nurdin & Peacock
Safeway Food Stores
Spar Foodmarkets
Superdrug Stores
Tesco Stores
F W Woolworth

Report and Accounts for the year ending
31st December 1987

Board of Directors and Advisers

WPP Group plc

J.R. Symonds *Chairman*
J.J.D. Bullmore
R.E. Lerwill
J.A. Quelch
G.C. Sampson
M.S. Sorrell

D.D. Cheesman
R.P. Emmins
A.M. Frew
S.L. Galpert
M.W. Hoban
P. Law-Gisiko
A.B. Lesniak
E. Mueller
D.M. Roberts
C.F. Schulten *Secretary*
D.P. Tinkelman
L.J. Trencher

Head Office
27 Farm Street
London W1X 6RD

Registered Office
Industrial Estate
Hythe
Kent CT21 6PE

Auditors
Arthur Andersen & Co
1 Surrey Street
London WC2R 2PS

Bankers
Barclays Bank PLC
54 Lombard Street
London EC3P 3AH

The Long-Term Credit Bank
of Japan Ltd
18 King William Street
London EC4N 7BR

Midland Bank plc
Poultry
London EC2P 2BX

J.P. Morgan
PO Box 161
1 Angel Court
London EC2R 7AE

National Westminster Bank PLC
21 Lombard Street
London EC3P 3AR

Merchant Bankers
Samuel Montagu & Co. Ltd
10 Lower Thames Street
London EC3R 6AE

First Boston Corporation
Park Avenue Plaza
New York
NY 10055

S.G. Warburg & Co. Ltd
33 King William Street
London EC4R 9AS

Wertheim Schroder & Co.
Incorporated
200 Park Avenue
New York
NY 10166

Stockbrokers
Panmure Gordon
& Co. Limited
9 Moorfields Highwalk
London EC2Y 9DS

Solicitors
Calow Easton
18/19 Southampton Place
London WC1A 2AJ

Davis & Gilbert
850 Third Avenue
New York
NY 10022

Fried, Frank, Harris, Schriver
& Jacobson
1 New York Plaza
New York
NY 10004

Property Advisers
James Andrew Badger
11 Waterloo Place
London SW1Y 4AU

Registrars
National Westminster Bank PLC
PO Box No. 82
Caxton House
Redcliffe Way
Bristol BS99 7NH

Access Symbols
TOPIC *Page 48020*
Reuters *LJHO*
NASDAQ *WPPGY*

Rasor Communications Limited

C.F. Ash
P.J. Christey
R.P. Emmins
D. Evans
P.G. Flook
T.H. Jones
B.P. Key
R.E. Lerwill
J.S. McColl
L.A. Morgan
G.P. Oakley
D. Pacy
G.C. Sampson
M. Sampson
C.F. Schulten
H.F. Scott
A. Selby
M.S. Sorrell
R. Stern
S.P. Todd
R.J. Tyrrell
T.J. Tyrrell
D.R.J. Young

Rasor Communications Inc

P.J. Anstatt
M.F. Bagley
G.E. Berman
R.E. Dillon
D.M. Geliebter
F.M. Gomez
E.J. Grossman
R.E. Lerwill
K.D. Love
J.K. McElnea
D. Morris
R.A. Nulman
J.B. Portugal
L.C. Pounian
M.A. Reese
J. Roher
N. Sidjakov
M.S. Sorrell
D.P. Tinkelman
K.H. Walker

Client Service Co-ordination Groups

B.J. Manning
R.L. Dilenschneider
F. Stanton
plus the directors
of Rasor Communications
Limited and Rasor
Communications Inc

A. Clark
T.C. Elliott
J.W. Wardell
R.L. Dilenschneider
F. Stanton
plus the directors
of Rasor Communications
Limited and Rasor
Communications Inc

Wire & Plastic Products Limited

G.C. Sampson *Chairman*
R.E. Lerwill
B.J. Simpkin
M.S. Sorrell

Organisational Structure by Entity

J Walter Thompson Company

Hill and Knowlton
MRB Group
Rasor Communications

Lord Geller Federico Einstein

WPP Group plc

KATHRYN GIBSON, LIZ MUELLER, DAN FINKELMAN MICHAEL RUBENSTEIN

EDIE GROSSMAN, ROSS MITCHELL, SANDY CARBONE

SIMEON GALPERT, MARTYN ROBERTS, TONY STIMPSON

SUE PALIN, WENDIE BLACKMORE, ANITA FREW, BEVERLEY PECK

NICOLA KEDDIE, DYMPNA HYNES, JEREMY BULLMORE

CHRIS SCHUETTEN

MARIE HOBAN, ROBERT LERWILL, JULIA BROWN

The objectives of the holding company are three-fold. Firstly, to plan, budget and monitor the financial strategy, tactics and performance of the Group. Secondly, to plan, negotiate and execute the acquisition strategy of the Group, and describe and explain the Group's strategy to its existing and potential institutional investors. Finally, to stimulate and foster the cross-referral and synergistic developments between the different activities, functions and countries across the Group.

MARTIN BROWN, PETER LAW-GISIKO, STUART HOWARD

MICHELE LESNIAK

ANGELA KNIGHT

ROBINA MALONEY, BOB EMMINS

BRUCE BISHOP, LEW TRENCHER, DONNA LOMBARDI, PAT NOTINE, GRACE D'ALESSIO, FRAN HAIR, DOUG CHEESMAN

The directors have pleasure in presenting their annual report, together with the audited accounts, for the year ended 31st December 1987.

Profits and Dividends

The profit on ordinary activities before tax for the year was £14,117,000 (1986: £1,757,000).

The directors recommend a final dividend of 4.9p per share which, together with the interim dividend of 1.5p per share, makes a total of 6.4p per share (1986: 3.2p).

The retained profit of £4,748,000 is carried to reserves.

Review of the Group

The Company is a holding company.

The principal activity of the Group is the provision of marketing services both nationally and multi-nationally. The Group expanded considerably during the last year by completing nine acquisitions of which four were in the United Kingdom and five in the United States. The most significant acquisition was that in July 1987 of JWT Group, Inc.

A full review of the business and future development of the Group is given in the Chairman's Statement.

There have been no significant changes in fixed assets during the year other than those arising from the acquisitions referred to in the Chairman's Statement and set out in Note 11 to the accounts.

Directors

The directors' interests, including family holdings, in the Company's share capital held beneficially were as follows:

	Ordinary Shares		
	6th May 1988	31st December 1987	1st January 1987
J.R. Symonds	12,547	12,547	12,500
J.J.D. Bullmore	3,000	—	—
R.E. Lerwill	20,075	20,075	20,000
J.A. Quelch	400	—	—
G.C. Sampson	289,515	289,515	288,733
M.S. Sorrell	930,287	930,287	916,833

Mr R.E. Lerwill has been granted options under the Executive Share Option Scheme in respect of a total of 69,734 Ordinary shares.

Messrs J.J.D. Bullmore and J.A. Quelch were appointed to the board on 1st January 1988 and 11th February 1988 respectively. Mr P.M.C. Rabl resigned from the board on 9th June 1987.

Mr J.R. Symonds retires by rotation and, being eligible, offers himself for re-election.

In accordance with the Company's Articles of Association, Messrs J.J.D. Bullmore and J.A. Quelch retire at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

Substantial Shareholdings

The Company is not aware of any interest representing 5 per cent or more of the existing issued share capital of the Company.

Close Company Status

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

Share Capital

The Authorised Ordinary share capital of the Company was increased during the year from £1,400,000 to £4,480, 000 in Ordinary shares of 10p each, following approval by the shareholders in General Meetings.

The number of Ordinary shares in issue increased during the year from 11,390,698 to 36,669,696. The increase is accounted for by shares issued as part consideration for acquisitions, a placing for cash and, in July 1987, the issue of 24,310,870 shares to existing shareholders through a rights issue.

Under court sanction, the balance on the share premium account was cancelled and transferred to a non-distributable special reserve. Full details of all share movements during the year may be found in Note 19 to the accounts.

It is proposed to extend the existing power of your directors in relation to the allotment of Ordinary shares for cash in order to give your board continuing flexibility and shareholders' approval is therefore sought to disapply the pre-emption provisions of section 89(1) of the Companies Act 1985 in relation to Ordinary shares of a nominal value not exceeding £183,000.

Subsequent Events
Five acquisitions in the areas of non-media advertising and specialist communications, three in the United Kingdom and two in the United States, have been completed subsequent to 31st December 1987. These are described in the Chairman's Statement.

Further information can be found in Note 22 to the accounts.

Disabled Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation and Involvement
The Group places considerable importance on the contributions to be made by all employees to the progress of the Group through their respective companies, and aims to keep them informed on matters affecting them as employees and on developments within the Group. This is achieved by formal and informal meetings at the individual company level, and distribution of the annual report and accounts throughout the Group. The Executive Share Option Scheme is available to all full-time employees of the Group nominated by the directors of each company within the Group, and options have currently been granted to a total of 242 (1986: 48) employees over a total of 1,560,943 (1986: 338,765) 10p Ordinary shares of the Company. The exercise of these options is generally conditional on the profit performance of the employee's company.

Charitable Contributions
The Group contributed £17,770 to UK charities in 1987.

Auditors
The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen & Co as auditors for the ensuing year.

By Order of the Board
C.F. Schulten
Secretary
6th May 1988

A summary of the principal Group accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

1. Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings. The consolidated accounts include the results of the Company and all its subsidiaries made up to the same accounting date. The results of subsidiaries acquired during the year are included from the date of completion of the acquisition.

2. Tangible Fixed Assets

Tangible fixed assets are shown at cost or valuation less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset on a straight-line basis over the estimated useful life, as follows:

Freehold buildings	— 2%
Leasehold land and buildings	— over the term of the lease
Plant and machinery	— 20% or 25%
Fixtures and fittings	— 10% to 25%
Motor vehicles	— 25% or $33\frac{1}{3}$%

Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. On the disposal of a revalued fixed asset the revaluation surplus is transferred to distributable reserves.

3. Stocks and Work in progress

Work in progress is valued at cost which comprises outlays incurred on behalf of clients, or the value of work performed on uncompleted assignments or products. Provision is made for non-recoverable costs where appropriate. Stocks are stated at the lower of cost and net realisable value.

4. Debtors

Debtors are stated net of provisions for bad and doubtful debts.

5. Taxation

UK Corporation tax, US Federal and state taxes, and other foreign taxes are payable on taxable profits at the current rates prevailing.

Deferred taxation is calculated under the liability method and provision is made for all timing differences which are expected to reverse, at the rates of tax expected to be in force at the time of the reversal.

6. Pension Costs

The companies within the Group operate several contributory and non-contributory pension schemes. The scheme funds are administered by trustees and are independent of the Group's finances. Actuarial valuations of the schemes are carried out at various dates in accordance with the terms of their respective Trust Deeds or more frequently as deemed appropriate. Contributions are paid to the schemes in accordance with the recommendations of independent actuaries to enable the Trustees to meet from the schemes the benefits accruing in respect of current and future service. The Group's contributions are charged against profits in the year in which contributions are made.

7. Turnover

Turnover comprises the value of sales (excluding VAT, sales taxes and trade discounts) of goods and services in the normal course of business.

8. Goodwill

Goodwill represents the excess of the cost or value attributed to investments in businesses or subsidiaries over the fair value of the underlying net assets at the date of their acquisition. Goodwill arising on consolidation is written off against reserves in the year in which it arises.

9. Translation of Foreign Currencies

Foreign currency transactions arising from normal trading activities are recorded in local currency at current exchange rates. Monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the profit and loss account as they arise.

The profit and loss accounts of overseas subsidiaries are translated into pounds sterling at average exchange rates and the net investments in these companies are translated at year-end exchange rates. Exchange differences arising from the retranslation at year-end exchange rates of the opening net investments and results for the year are dealt with as movements in reserves.

10. Investments

Investments in subsidiaries are stated in the Company's accounts at cost less amounts written off for permanent diminution in value.

Consolidated Profit and Loss Account

For the year ended 31st December 1987

	Notes	1987 £000	1986 £000	1987 $000	1986 $000
Turnover	2	284,082	23,685	477,258	39,791
Cost of sales		(65,160)	(17,761)	(109,469)	(29,839)
Gross Profit		218,922	5,924	367,789	9,952
Other operating expenses	3	(197,468)	(4,502)	(331,746)	(7,563)
Operating Profit		21,454	1,422	36,043	2,389
Interest receivable		3,739	530	6,282	891
Interest payable and similar charges	4	(11,076)	(195)	(18,608)	(328)
Profit on Ordinary Activities before Taxation	5	14,117	1,757	23,717	2,952
Tax on profit on ordinary activities	7	(6,810)	(613)	(11,441)	(1,030)
Profit on Ordinary Activities after Taxation		7,307	1,144	12,276	1,922
Minority interests		(222)	(75)	(373)	(126)
Profit before Extraordinary Items		7,085	1,069	11,903	1,796
Extraordinary items	8	—	32	—	54
Profit for the Financial Year		7,085	1,101	11,903	1,850
Dividends paid and proposed	9	(2,337)	(352)	(3,926)	(592)
Retained Profit for the Year	20	4,748	749	7,977	1,258
Earnings per share	10	32.1p	13.2p	$0.54	$0.22

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 89 to 93 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account ($1.68 = £1), the rate in effect on 31st December 1987 for the balance sheets ($1.8785 = £1), and a combination of these for the statement of source and application of funds. This translation should not be construed as a representation that the pound sterling amounts actually represent or could be converted into US dollars at the rates indicated.

The accompanying notes form an integral part of this profit and loss account

Consolidated Balance Sheet

As at 31st December 1987

	Notes	1987 £000	1986 £000	1987 $000	1986 $000
Fixed Assets					
Tangible assets	*11*	79.184	4,801	148,747	9,019
Investments	*12*	3.464	—	6,507	—
		82,648	4,801	155,254	9,019
Current Assets					
Stocks and work in progress	*13*	37,920	1,810	71,233	3,400
Debtors	*14*	247,836	11,852	465,560	22,263
Assets held for resale and investments	*15*	115.273	1,040	216,540	1,954
Cash at bank and in hand		72,616	8,554	136,409	16,069
		473,645	23,256	889,742	43,686
Creditors: amounts falling due within one year	*16*	(454.733)	(21,510)	(854,216)	(40,407)
Net Current Assets		18,912	1,746	35,526	3,279
Total Assets less Current Liabilities		101.560	6,547	190,780	12,298
Creditors: amounts falling due after more than one year	*17*	(91.333)	(2,725)	(171,568)	(5,119)
Provisions for Liabilities and Charges	*18*	(74,719)	(300)	(140,360)	(563)
Net Assets (Liabilities)		(64,492)	3,522	(121,148)	6,616
Capital and Reserves					
Called-up share capital	*19*	3,670	1,139	6,894	2,139
Share premium	*20*	—	8,396	—	15,772
Merger reserve	*20*	(89,423)	(9,388)	(167,981)	(17,635)
Other reserves	*20*	13,233	646	24,858	1,213
Profit and loss account	*20*	6,963	2,027	13,080	3,808
Shareholders' Funds		(65.557)	2,820	(123,149)	5,297
Minority interests		1,065	702	2,001	1,319
Total Capital Employed		(64,492)	3,522	(121,148)	6,616

Signed on behalf of the Board on 6th May 1988

R.E. Lerwill
M.S. Sorrell
Directors

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 89 to 93 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account ($1.68 = £1), the rate in effect on 31st December 1987 for the balance sheets ($1.8785 = £1), and a combination of these for the statement of source and application of funds. This translation should not be construed as a representation that the pound sterling amounts actually represent or could be converted into US dollars at the rates indicated.

The accompanying notes form an integral part of this balance sheet.

Company Balance Sheet

As at 31st December 1987

	Notes	1987 £000	1986 £000	1987 $000	1986 $000
Fixed Assets					
Tangible assets	11	**221**	40	**415**	75
Investments	12	**224,372**	21,176	**421,483**	39,779
		224,593	21,216	**421,898**	39,854
Current Assets					
Debtors	14	**17,062**	9,742	**32,051**	18,301
Cash at bank and in hand		**1,577**	2,912	**2,962**	5,470
		18,639	12,654	**35,013**	23,771
Creditors: amounts falling due within one year	16	**(5,892)**	(3,811)	**(11,069)**	(7,159)
Net Current Assets		**12,747**	8,843	**23,944**	16,612
Total Assets less Current Liabilities		**237,340**	30,059	**445,842**	56,466
Creditors: amounts falling due after more than one year	17	**(1,700)**	(1,781)	**(3,193)**	(3,346)
Provisions for Liabilities and Charges	18	**(55)**	—	**(103)**	—
Net Assets		**235,585**	28,278	**442,546**	53,120
Capital and Reserves					
Called-up share capital	19	**3,670**	1,139	**6,894**	2,140
Share premium	20	**—**	8,396	**—**	15,772
Merger reserve	20	**231,827**	17,947	**435,487**	33,713
Profit and loss account	20	**88**	796	**165**	1,495
Total Capital Employed		**235,585**	28,278	**442,546**	53,120

Signed on behalf of the Board on 6th May 1988

R.E. Lerwill
M.S. Sorrell — Directors

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 89 to 93 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account ($1.68 = £1), the rate in effect on 31st December 1987 for the balance sheets ($1.8785 = £1), and a combination of these for the statement of source and application of funds. This translation should not be construed as a representation that the pound sterling amounts actually represent or could be converted into US dollars at the rates indicated.

The accompanying notes form an integral part of this balance sheet

Consolidated Statement of Source and Application of Funds

For the year ended 31st December 1987

	1987 £000	1986 £000	1987 $000	1986 $000
Source of Funds				
Profit for the financial year	7,085	1,101	11,903	1,850
Add items not involving the movement of funds:				
Depreciation	6,825	366	11,466	615
Increase (decrease) in deferred taxation and other provisions	(4,921)	300	(9,244)	564
Profit on disposal of tangible fixed assets	(189)	—	(318)	—
Total funds from operations	8,800	1,767	13,807	3,029
Funds from other sources:				
Increase in creditors due after more than one year*	88,608	2,534	166,450	4,760
Increase in minority interests*	363	702	682	1,319
Increase in deferred taxation and other provisions*	78,898	—	148,210	—
Proceeds from issues of ordinary shares	205,155	8,260	344,660	13,877
Proceeds from sale of tangible fixed assets	1,874	923	3,148	1,551
Value of warrants attached to loan notes	1,488	—	2,500	—
Exchange movements	19,004	—	3,391	(674)
Shares issued as part consideration of the acquisition of subsidiaries*	2,860	18,332	4,805	30,798
	407,050	32,518	687,653	54,660
Application of Funds				
Dividends paid	317	168	533	282
Purchase of tangible fixed assets*	90,168	4,866	151,482	8,175
Purchase of fixed asset investments*	3,464	—	5,820	—
Goodwill arising on acquisitions of subsidiaries*	293,915	27,335	493,777	45,923
	387,864	32,369	651,612	54,380
Net Source of Funds	19,186	149	36,041	280

	1987 £000	1986 £000	1987 $000	1986 $000
Increase (decrease) in net current assets*				
Stock's and work in progress	36,110	1,151	67,833	2,162
Debtors	235,984	10,891	443,296	20,459
Assets held for resale and investments	114,233	1,040	214,587	1,954
Creditors: amounts falling due within one year	(334,266)	(18,323)	(627,919)	(34,420)
	52,061	(5,241)	97,797	(9,845)
Movements in net liquid funds:				
Cash at bank and in hand	64,062	7,435	120,340	13,967
Bank loans and overdrafts	(96,937)	(2,045)	(182,096)	(3,842)
	19,186	149	36,041	280

**The effect of the acquisition of subsidiaries on the above statement was as follows:*

	1987 £000	1987 $000
Net Assets Acquired:		
Tangible fixed assets	80,890	135,895
Goodwill	293,915	493,777
Investments	3,324	5,584
Net current assets	118,766	199,527
Creditors: due after one year	(23,802)	(39,987)
Provisions for liabilities and charges	(80,469)	(135,188)
Minority interests	(202)	(339)
	392,422	659,269

	1987 £000	1987 $000
Discharged by:		
Shares	2,860	4,805
Cash	389,562	654,464
	392,422	659,269

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 89 to 93 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account ($1.68 = £1), the rate in effect on 31st December 1987 for the balance sheets ($1.8785 = £1), and a combination of these for the statement of source and application of funds. This translation should not be construed as a representation that the pound sterling amounts actually represent or could be converted into US dollars at the rates indicated.

The accompanying notes form an integral part of this statement

Notes to the Accounts

1. Basis of Consolidation

The Company has taken advantage of the exemption in the Companies Act 1985 s.228 not to present its own profit and loss account. £1,629,000 (1986: £112,000) of the consolidated profit for the financial year has been dealt with in the accounts of the Company.

2. Segment Information

The Group provides marketing services both on a national and a multi-national basis. Contributions to Group turnover by geographical area were as follows:

	1987	1986
	£000	£000
United Kingdom	74,184	17,939
North America	144,729	3,760
Rest of the World	65,169	1,986
	284,082	23,685

3. Other Operating Expenses

	1987	1986
	£000	£000
Administration and other operating expenses	198,268	4,618
Other operating income	(800)	(116)
	197,468	4,502

4. Interest Payable and Similar Charges

	1987 £000	1986 £000
On bank loans and overdrafts, and other loans:		
– repayable within five years, by instalments	246	39
– repayable within five years, not by instalments	9,701	120
	9,947	159
On all other loans	1,129	36
	11,076	195

Included in the above is the interest element of charges payable under finance leases (and hire purchase contracts) amounting to £335,000 (1986: £33,000).

5. Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging:

	1987 £000	1986 £000
Depreciation and amounts written off		
– owned tangible fixed assets	6,039	366
– assets held under finance leases and hire purchase contracts	786	–
Operating lease rentals		
– plant and machinery	2,299	212
– property	16,556	170
Hire of plant and machinery	261	–
Staff costs (see note 6)	125,228	4,250
Auditors' remuneration	834	201

6. Staff Costs

a) Particulars of employees (including executive directors) are as shown below:

	1987 £000	1986 £000
Employee costs during the year amounted to:		
Wages and salaries	110,698	3,764
Social security costs	8,891	353
Pension costs	5,639	133
	125,228	4,250

The average weekly number of persons employed by the Group during the year was as follows:

	1987 Number	1986 Number
United Kingdom	1,200	418
Overseas	4,166	8
	5,366	426

b) Directors' remuneration:

Directors of the Company received the following remuneration:

	1987 £000	1986 £000
Fees as directors	—	1
Other (including pension contributions)	393	87
	393	88

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	1987	1986
Chairman	Nil	Nil
Highest paid director	241	34

Other directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1987 Number	1986 Number
Nil	1	2
£10,001 to £15,000	—	1
£15,001 to £20,000	—	1
£20,001 to £25,000	—	1
£30,001 to £35,000	1	—
£95,001 to £100,000	1	—

Remuneration to the highest paid director in 1987 excludes £97,000 in respect of 1986 which was approved subsequent to the date of signing the 1986 accounts. In 1986 further emoluments amounting to £5,000 were waived by two directors.

c) Higher-paid employees:

During the year, one employee of the Company received remuneration in the range £45,001–£50,000 and one employee in the range £30,001–£35,000 (1986: none).

7. Tax on Profit on Ordinary Activities

	1987 £000	1986 £000
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 35% (1986: 35% to 40%)	2,649	723
Deferred taxation	(7,340)	(216)
Overseas taxation	11,501	106
	6,810	613

8. Extraordinary Items

Extraordinary items in 1986 related to actions taken to rationalise the activities of certain subsidiaries acquired during that year.

9. Dividends paid and proposed

	1987 £000	1986 £000
Interim payable of 1.50p per share (1986: 1.25p)	548	95
Final proposed of 4.90p per share (1986: 1.95p)	1,789	222
Payments to holders of shares issued in 1986 and ranking for the 1985 final dividend	—	35
	2,337	352

10. Earnings per Share

The calculation of earnings per share is based on the profit before extraordinary items of £7,085,000 (1986: £1,069,000) and the weighted average number of Ordinary shares in issue during the year of 22,083,714 (1986: 8,075,690 shares). The weighted average for both years has been adjusted to take account of the rights issues in 1986 and 1987.

11. Tangible Fixed Assets

a) Group

The movement in the year was as follows:

	Land and Buildings						
	Freehold	*Long Leasehold*	*Short Leasehold*	*Plant & Machinery*	*Fixtures & Fittings*	*Motor Vehicles*	*Total*
	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:							
Beginning of year	2,147	88	569	1,905	1,615	929	**7,253**
New subsidiaries	7,878	4,094	40,580	1,668	25,345	1,325	**80,890**
Additions	1,486	316	1,726	574	4,045	1,131	**9,278**
Disposals	(429)	(112)	(883)	(322)	(1,949)	(635)	**(4,330)**
Exchange adjustments	130	(155)	(5,481)	(155)	(2,985)	(103)	**(8,749)**
Revaluation	1,474	—	—	—	—	—	**1,474**
End of year (see below)	12,686	4,231	36,511	3,670	26,071	2,647	**85,816**
Depreciation:							
Beginning of year	35	4	93	1,044	891	385	**2,452**
Charge	190	389	1,744	728	3,287	487	**6,825**
Disposals	(225)	(14)	(558)	(300)	(1,158)	(390)	**(2,645)**
End of year (see below)	—	379	1,279	1,472	3,020	482	**6,632**
Net book value 31st December 1987	12,686	3,852	35,232	2,198	23,051	2,165	**79,184**
31st December 1986	2,112	84	476	861	724	544	**4,801**

Leased assets included above have a net book value of £322,000 (1986: £142,000).

Basis of valuations: Plant and machinery (including fixtures and fittings) are shown at cost. Land and buildings include certain properties professionally revalued during 1987, by Messrs James Andrew Badger (Surveyors & Valuers), on an open market, existing use basis. The historic gross cost of such land and buildings is £1,859,000 (1986: £333,000).

b) Company

The movement in the year was as follows:

	Short Leasehold Land & Buildings £000	Fixtures & Fittings £000	Motor Vehicles £000	Total £000
Cost or valuation:				
Beginning of year	–	14	30	44
Additions	29	95	158	282
Disposals	–	–	(25)	(25)
End of year	29	109	163	301
Depreciation:				
Beginning of year	–	1	3	4
Charge	29	20	27	76
End of year	29	21	30	80
Net book value:				
31st December 1987	–	88	133	221
31st December 1986	–	13	27	40

12. Fixed Asset Investments

a) Group

The following investments, acquired on acquisition of subsidiaries during the year, are included in the net book value of fixed asset investments:

	1987	1986
	£000	£000
Investment in related companies	1,607	–
Other investments	1,857	–
	3,464	–

b) Company

The following are included in the net book value of fixed asset investments:

	1987	1986
Subsidiaries at cost:	£000	£000
Beginning of year	21,176	376
Additions	203,196	21,173
Disposals to subsidiary	—	(373)
End of year	224,372	21,176

At 31st December 1987 the Company directly or indirectly held 100% (except where indicated) of each class of the issued shares of the following subsidiaries. Companies marked with an * were acquired subsequent to 31st December 1987 (see note 22). The activity and country of operation and registration of the principal subsidiaries or divisions is given below:

Company	*Activity*	*Country*
Strategic Marketing Services		
The Henley Centre for Forecasting Limited*	Strategic Marketing Consultancy	England
Media Advertising		
J Walter Thompson Company	Media Advertising	USA
Lord, Geller, Federico, Einstein, Inc	Media Advertising	USA
Public Relations		
Hill and Knowlton, Inc	Public Relations	USA
Market Research		
MRB Group, Inc	Market Research	USA
Non-Media Advertising		
Business Design Group Limited	Graphics & Design	England
Greaves Hall Limited	Graphics & Design	England
Oakley Young Associates Limited	Graphics & Design	England
Sampson Tyrrell Limited	Graphics & Design	England
Sidjakov, Berman Gomez & Partners	Graphics & Design	USA

Company	*Activity*	*Country*
Non-Media Advertising (Continued)		
Stewart McColl Associates plc*	Graphics & Design	England
The Walker Group/CNI Inc	Graphics & Design	USA
VAP Group Limited	Graphics & Design	England
The Grass Roots Group PLC (50% owned)	Incentive & Motivation	England
P&L International Vacationers Limited	Incentive & Motivation	England
Mando Marketing Limited	Sales Promotion	England
Scott Stern Associates Limited	Sales Promotion	Scotland
Einson Freeman, Inc*	Sales Promotion	USA
MetroVideo Limited	Audio Visual products/services	England
The Mighty Movie Company Limited	Film & Video production	England
Specialist Communications		
Anspach Grossman Portugal Inc*	Corporate Identity	USA
Brouillard Communications, Inc	Business to Business Advertising	USA
The Entertainment Group	Entertainment Industry Advertising	USA
EWA Limited*	Database Marketing	England
Harvard Capital Group, Inc.	Financial Services Marketing	USA
Hispania Advertising, Inc.	Hispanic Advertising	USA
J Walter Thompson Direct	Direct Advertising	USA
J Walter Thompson Healthcare	Healthcare Advertising	USA
Mendoza, Dillon & Asociados, Inc.	Hispanic Advertising	USA
Pace Communications Inc.	Real Estate Marketing	USA
Reese Communications Inc.	Public Affairs	USA
Targeting Systems Inc.	Direct Marketing	USA
Thompson Recruitment Advertising, Inc.	Recruitment Advertising	USA
Tromson Monroe Advertising, Inc.	Travel Industry Public Relations	USA
Manufacturing		
Alton Wire Products Limited	Manufacture of wire products	England
North Kent Plastic Cages Limited	Manufacture of wire and sheet metal products	England
Staffordshire Holloware Limited	Manufacture of aluminium products	England
Refrigeration (Bournemouth) Limited	Sale and installation of shopfitting equipment	England
Holding Companies		
Rasor Communications Inc.	Holding company for US services companies	USA
Rasor Communications Limited	Holding company for UK services companies	England
Wire & Plastic Products Limited	Holding company for UK manufacturing companies	England

13. Stocks and work in progress

The following are included in the net book value of stocks and work in progress:

	Group 1987	1986
	£000	£000
Raw materials and consumables	398	440
Work in progress	36,247	430
Finished goods and goods for resale	1,275	940
	37,920	1,810

14. Debtors

The following are included in the net book value of debtors:

Amounts falling due within one year:

	Group 1987	1986	Company 1987	1986
	£000	£000	£000	£000
Trade debtors	207,863	10,201	—	—
ACT recoverable	1,270	101	1,049	195
Corporate income taxes recoverable	7,444	218	—	—
VAT and sales taxes recoverable	2,508	196	138	86
Other debtors	8,224	413	130	33
Prepayments and accrued income	6,962	364	2	4
Amounts owed by subsidiaries	—	—	15,743	9,424
	234,271	11,493	17,062	9,742

Amounts falling due after more than one year:

	Group 1987	1986	Company 1987	1986
	£000	£000	£000	£000
Trade debtors	46	359	—	—
Corporate income taxes recoverable	543	—	—	—
Other debtors	5,182	—	—	—
Prepayments and accrued income	7,794	—	—	—
	13,565	359	—	—
Total debtors	247,836	11,852	17,062	9,742

15. Assets held for resale and investments

The following amounts are included in the net book value of assets held for resale and investments:

	Group 1987 £000	1986 £000
Freehold property held for resale, at market valuation	**110,496**	1,040
Treasury bonds listed overseas, at cost	**3,153**	–
Unlisted investments, at cost	**1,624**	–
	115,273	1,040

Freehold property held for resale at 31st December 1987 comprises certain properties acquired on the acquisition of JWT Group, Inc. The estimated tax liability associated with the anticipated sales is included in the provisions for liabilities and charges.

The market value of the treasury bonds listed overseas at 31st December 1987 was £3,253,200. The directors' valuation of the Group's unlisted current asset investments at 31st December 1987 was £1,624,000.

16. Creditors – Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group 1987 £000	1986 £000	Company 1987 £000	1986 £000
Bank loans and overdrafts	**98,996**	2,059	–	–
Obligations under finance leases and hire purchase contracts	**388**	105	–	–
Trade creditors	**228,974**	5,554	–	–
Taxation and social security	**6,271**	3,393	**780**	291
Due to vendors of acquired companies	**5,145**	3,388	–	2,342
Dividends payable and proposed	**2,337**	317	**2,337**	317
Deferred income	**10,259**	735	–	–
Other creditors and accruals	**102,363**	5,959	**2,775**	791
Amounts owed to subsidiaries	–	–	–	70
	454,733	21,510	**5,892**	3,811

17. Creditors – Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	Group 1987	1986	*Company* 1987	1986
	£000	£000	£000	£000
Bank loans	72,982	673	—	—
Loan notes with detachable warrants	6,497	—	—	—
Obligations under finance leases and hire purchase contracts	418	117	—	—
Trade creditors	1,564	—	—	—
Corporate income taxes payable	1,044	154	—	—
Deferred income	1,048	—	—	—
Other creditors and accruals	6,080	81	—	81
Loan note due to vendor of acquired company	1,700	1,700	1,700	1,700
	91,333	2,725	1,700	1,781

The loan note due to vendor of acquired company is repayable at any time before 31st May 1991, at the option of the holder, and bears interest at the rate of 8.5% per annum until the date of repayment. The holder has indicated that it is not his current intention to seek repayment prior to 1st January 1989.

The loan notes with detachable warrants are repayable in equal annual instalments between 16th April 1993 and 16th April 1997. Alternatively, under certain circumstances, at the option of Rasor Communications Inc (a wholly owned subsidiary of the Company), they may be repaid at any time after 16th April 1992. The loan notes are unsecured and bear interest at the rate of 8.75% per annum until the date of repayment. Each note carries a warrant to subscribe for Ordinary shares of the Company to the principal amount of the note. The warrants will be exercisable at a price of 1044p (after adjustment for the effect of the rights issue in August 1987) per share. The total number of Ordinary shares in respect of which warrants will be issued is 875,000.

Bank loans payable at 31st December 1987 include US$191 million of debt assumed on the acquisition of JWT Group, Inc. This debt was repaid to the original lenders by 29th January 1988 and refinanced as follows:

(a) Japanese Yen 13.1 billion (approximately US$100 million) through a five year non-recourse loan secured on a freehold property in Tokyo (classified as an asset held for resale in note 15). An amount equivalent to the value of this loan is classified with creditors falling due within one year in note 16.

(b) US$160 million through a seven year unsecured multicurrency facility, repayable in fourteen equal semi-annual instalments. The analysis of borrowings set out below reflects these repayment terms.

Interest is payable on these new facilities at variable rates linked to LIBOR.

Analysis of loans, finance leases and hire purchase contracts:

		Group 1987 £000	1986 £000
Borrowings are repayable by instalments as follows:			
Within 1 year	– bank loans	25,116	125
	– leases and hire purchase	388	105
Within 1-2 year	– bank loans	13,544	126
	– leases and hire purchase	271	87
Within 2-5 year	– bank loans	37,216	379
	– leases and hire purchase	147	30
Over 5 years	– bank loans	22,222	168
	– loan notes with detachable warrants	6,497	—
		105,401	1,020

18. Provisions for Liabilities and Charges:

Provisions for liabilities and charges comprise:

	Group 1987 £000	1986 £000	Company 1987 £000	1986 £000
Deferred taxation	54,903	321	55	56
Recoverable ACT	—	(321)	—	(56)
Pension and other provisions	19,816	300	—	—
	74,719	300	55	—

Deferred tax has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that liabilities will crystallise. No provision is made for tax that would arise on the remittance of overseas earnings.

	Group Deferred taxation 1987 £000	Pension & other provisions 1987 £000	Company Deferred taxation 1987 £000
The movement in provisions comprises:			
Beginning of year	—	300	56
Balances assumed on acquisition of subsidiaries	60,909	19,560	—
Charged (credited) to profit and loss account	(7,340)	2,419	(1)
Tax related to revaluation of assets	442	—	—
Exchange adjustments	892	(2,463)	—
End of year	54,903	19,816	55

19. Called-up Share Capital

	1987 £	1986 £
Authorised:		
44,800,000 (1986: 14,000,000) Ordinary shares of 10p each	4,480,000	1,400,000
300 (1986: 300) Deferred Redeemable Convertible shares of £1 each	300	300
20,000 (1986: Nil) "A" Ordinary shares of 10p each	2,000	–
14,000 (1986: Nil) "B" Ordinary shares of 10p each	1,400	–
	4,483,700	1,400,300
Allotted, called-up and fully-paid:		
36,669,696 (1986: 11,390,698) Ordinary shares of 10p each	3,666,970	1,139,069
300 (1986: 300) Deferred Redeemable Convertible shares of £1 each	300	300
15,000 (1986: Nil) "A" Convertible shares of 10p each	1,500	–
14,000 (1986: Nil) "B" Convertible shares of 10p each	1,400	–
	3,670,170	1,139,369

During the year the Company made the following allotments of Ordinary shares:

– 379,171 shares with a nominal value of £37,917 and at a premium of £2,819,581 in consideration for the acquisition of subsidiaries.

– 588,957 shares with a nominal value of £58,896 and at a premium of £4,741,104 which were placed for cash pursuant to a resolution of the Company in general meeting.

– 24,310,870 shares with a nominal value of £2,431,087 and at a premium of £210,289,025 through a rights issue to shareholders.

The Deferred shares were issued to the vendors of certain companies acquired during 1986 and 1987 and are convertible to Ordinary shares of the Company on dates between 30th June 1988 and 31st May 1992. The number of Ordinary shares into which the Deferred shares may be converted is dependent upon the level of future profitability of the company acquired.

Options have been granted under the WPP Group plc Executive Share Option Scheme over a total of 1,560,943 (1986: 338,765) 10p Ordinary Shares, exercisable between 1989 and 1998 at prices per share ranging from 390p to 823p.

During the year loan notes were issued with detachable warrants to subscribe for Ordinary shares in the Company. Further details are provided in note 17.

20. Reserves

a) Group

Movements during the year were as follows:

	Share Premium £000	Merger Reserve £000	Capital & Property Revaluation Reserves £000	Currency Translation Reserve £000	Profit & Loss Account £000
Balance at beginning of year	8,396	(9,388)	689	(43)	2,027
Premium on shares issued during the year (note 19)					
– for cash	215,030	—	—	—	—
– for acquisitions	—	2,820	—	—	—
Expenses of issues of shares	(12,336)	(30)	—	—	—
Goodwill arising on consolidation written off	—	(293,915)	—	—	—
Share Premium cancelled under court sanction	(211,090)	211,090	—	—	—
Unrealised gain arising on revaluation of assets	—	—	1,032	—	—
Realisation of revaluation reserve	—	—	(188)	—	188
Provision for rights to shares attaching to warrants	—	—	1,488	—	—
Exchange revaluation	—	—	—	10,255	—
Retained profit for the year	—	—	—	—	4,748
Balance at end of year	—	(89,423)	3,021	10,212	6,963

Goodwill arising on the acquisition of JWT Group, Inc. amounted to £277,536,000.

b) Company

Movements during the year were as follows:

	Share Premium £000	Merger Reserve £000	Profit & Loss Account £000
Balance at beginning of year	8,396	17,947	796
Premium on shares issued during the year (note 19)			
– for cash	215,030	—	—
– for acquisitions	—	2,820	—
Expenses of issues of shares	(12,336)	(30)	—
Share Premium cancelled under court sanction	(211,090)	211,090	—
Profit for the year	—	—	1,629
Dividends paid and proposed	—	—	(2,337)
Balance at end of year	—	231,827	88

Under court sanction, the balance on the share premium account was cancelled and transferred to a non-distributable special reserve, which for convenience has been disclosed above with the merger reserve. Goodwill arising on consolidation in the amount of £211,090 has been written off against the special reserve.

21. Guarantees and other Financial Commitments

a) Capital Commitments

At the end of the year, capital commitments were:

	Group 1987 £000	1986 £000	Company 1987 £000	1986 £000
Contracted for but not provided for	1,258	450	—	10
Authorised but not contracted for	1,173	40	—	—
	2,431	490	—	10

b) Contingent liabilities

Further consideration amounts, payable in cash and Ordinary shares of the Company, may become due to the vendors of certain companies dependent upon the level of profitability of those companies over various periods up to 30th November 1993. The quantification of these future payments is dealt with in note 22.

c) Lease commitments

The Group has entered into certain non-cancellable leases in respect of plant and machinery. The total annual rental (including interest) for 1987 was £2,048,000 (1986: £165,000), of which £Nil (1986: £Nil) was applicable to the Company. The lease agreements provide that the Group will pay all insurance, maintenance and repairs. The Group may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the Group leases certain land and buildings on short term and long term leases. The annual rental on these leases for 1987 was £16,556,000 (1986: £170,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

The minimum annual rentals payable in 1988 under the foregoing leases are as follows:

	Property £000	*Plant and Machinery* £000
In respect of operating leases which expire:		
– within 1 year	1,750	1,074
– within 2-5 years	11,124	2,349
– after 5 years	16,937	785
	29,811	4,208

d) Pension arrangements

Many pension schemes are operated by the companies within the Group. Actuarial reviews of all material schemes were undertaken following the acquisition of JWT Group, Inc. and appropriate provision made.

22. Subsequent Events

a) On 10th February 1988 the Group acquired, for an initial payment in cash of $12,000,000, the entire issued share capital of Anspach Grossman Portugal Inc, a New York based corporate identity business.

b) On 6th April 1988 the Company acquired, for an initial payment in cash and shares totalling £6,000,000, the entire issued share capital of Stewart McColl Associates plc, a London based graphics and design company.

c) On 21st April 1988 the Group acquired, for an initial payment in cash and shares totalling $6,250,000, the entire issued share capital of Einson Freeman, Inc., a New Jersey based sales promotion company.

d) On 30th April 1988 the Company acquired, for an initial payment in cash and shares totalling £2,883,000, the entire issued share capital of The Henley Centre for Forecasting Limited, a London based strategic marketing consultancy.

e) On 6th May 1988 the Company acquired, for an initial payment in cash and shares totalling £4,800,000, the entire issued share capital of EWA Limited, a database marketing company based in Maldon, Essex.

The acquisitions referred to above and earlier acquisitions (excluding JWT Group, Inc) may give rise to further consideration amounts, resulting in goodwill, in addition to the initial payments referred to above. Any further payments will be payable in cash and Ordinary shares of the Company dependent upon the level of profitability of these acquired entities over various periods up to 28th February 1994. It is not practicable to estimate with any reasonable degree of certainty the total additional consideration to be paid. However, the directors estimate that the maximum additional payments which may be payable in respect of all subsidiaries (including those referred to above) would amount to:

	£000
Within one year from 31st December 1987	14,708
From two to five years	89,761
Over five years	22,781
	127,250

On the assumption that the vendors choose cash rather than shares where the option exists, the future consideration payable would include a minimum of £54,812,000 in shares, which generally will be retained by the vendors for a minimum period of three years. Taking into account only profits from those companies entitled to receive future payments, there would be no reduction in the net assets of the Group over this period.

The Group's cashflow projections for the same period, after taking account of (a) to (e) above, indicate a net cash generation after taxation and dividends considerably in excess of these maximum contingent cash payments.

Auditors' Report

To the members of WPP Group plc

We have audited the accounts set out on pages 87 to 109 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the Company and of the Group at 31st December 1987 and of the Group profit and source and application of funds for the year then ended, and comply with the Companies Act 1985

Arthur Andersen & Co
London

6th May 1988

Financial Calendar

Interim Statements for half-years ending 30th June are issued in August.

Preliminary Announcements of results for financial years ending 31st December are issued in March.

Annual Reports are posted to shareholders in May.

Annual General Meetings are held in London in June.

Interim Dividends on Ordinary shares are paid in January.

Final Dividends on Ordinary shares are paid in July.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of the members of WPP Group plc will be held at The Savoy Hotel, Strand, London WC2 on 27th June 1988 at 12.00 noon when the following Ordinary business will be transacted:

1) To receive and, if approved, adopt the directors' report and audited statement of accounts for the year ended 31st December 1987.

2) To declare the dividend recommended by the directors.

3) To re-elect
   a) Mr J.R. Symonds
   b) Mr J.J.D. Bullmore and
   c) Mr J.A. Quelch
   as directors.

4) To re-appoint Messrs Arthur Andersen & Co as auditors of the Company and to authorise the directors to fix their remuneration.

And the following Special business will be transacted:

To consider and if thought fit to pass the following Special Resolution:

5) That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to make allotments of equity securities as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £183,000 and that this power shall expire at the Annual General Meeting of the Company to be held in 1989 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may notwithstanding such expiry allot securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

6) To transact any other business proper to an Annual General Meeting.

By Order of the Board
C.F. Schulten
Secretary

Industrial Estate
Hythe, Kent CT21 6PE
6th May 1988

Notes:

A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member.

To be valid the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, should reach the offices of the Registrars of the Company at least forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.

The following documents will be available at the registered office of the Company on any weekday except Saturday during normal business hours and at the place of the meeting for a period of fifteen minutes before and during the meeting:

1) A statement of the transactions of each director and his family interests in the shares of the Company.

2) A copy of the Company's contracts of service pertaining to Mr G.C. Sampson, Mr R.E. Lerwill, and Mr M.S. Sorrell. There are no other written directors' service contracts of more than one year's duration.

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