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Directors' Report and Accounts

J WALTER THOMPSON UK HOLDINGS LIMITED

31 December 1985



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31 December 1985

J WALTER THOMPSON UK HOLDINGS LIMITED

DIRECTORS' REPORT

The directors submit their report and the financial statements of the Company for the year ended 31 December 1985.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company is a holding company and the principal activity of its subsidiaries is to act as agents and consultants in advertising, marketing and market research.

During the year gross billings of the group increased by 12.2% from £184.6 million to £207.2 million. Commission and fees increased by 3.4% from £29.7 million to £30.7 million.

Profit on ordinary activities after taxation was £716,829.

During the year the directors proposed a dividend of £5 million which was paid by the balance sheet date.

The group plans to further expand its client base in 1986 as well as continuing to consolidate its present client base.

ISSUE OF SHARE CAPITAL

In December the Company increased its share capital by issuing 2,000,000 redeemable ordinary shares of £1 each to J. Walter Thompson Company. These shares are redeemable at par at the option of the Company at any future date.

DIRECTORS

The directors who served during the year were as follows:

| | |
|-------------|-------------------------------|
| JJ Cronin | (Canadian) |
| TF Sutton | |
| HP Connell | (American) |
| RM Sargeant | (Appointed 6th December 1985) |

M. Cooper-Evans was appointed 13th May 1986.

DIRECTORS' INTERESTS

None of the directors held beneficially any shares in the Company during the period, or had a beneficial interest in any contract or arrangement to which the Company was a party during the year. The following directors had a beneficial interest in shares of the ultimate holding company, JWT Group Inc., held for them by the trustees of the J. Walter Thompson Group Limited share scheme:

| | <u>No. of Shares</u> <u>31 December 1985</u> | <u>No. of Shares</u> <u>6 December 1985</u> |
|--------------|---|--|
| R.M Sargeant | 124 | 124 |

POLITICAL AND CHARITABLE DONATIONS

The group made no political donations during the year (1984 - £Nil). Payments made to charities during the year amounted to £19,667 (1984 - £11,621).

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes and abilities of the person concerned. In the event of employees becoming disabled every effort is made to ensure that their employment continues. It is the policy of the Company to further as far as possible the training, career development and promotion of disabled employees.

EMPLOYEE INVOLVEMENT

The Company formally communicates with the staff in a number of ways; at an annual meeting attended by all staff when the Company's business and financial performance of the past year are reviewed and plans and forecasts for the coming year are outlined, at a six monthly presentation to which all newcomers are invited, and through a monthly house magazine containing current news about the company and employees.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be reappointed and a resolution will be proposed at the forthcoming Annual General Meeting to that effect.

By Order of the Board


MWR LAMB

Secretary

30 November 1986

AUDITORS' REPORT TO THE MEMBERS OF
J WALTER THOMPSON UK HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 31 December 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Southwark Towers
32 London Bridge Street
London
SE1 9SY

30 November 1986

Price Waterhouse
Price Waterhouse
Chartered Accountants

J WALTER THOMPSON UK HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1985

| | <u>1985</u> | <u>1984</u> |
|---|--------------|--------------|
| TURNOVER (Note 2) | £207,231,895 | £184,577,625 |
| Commission and fee income | 30,654,421 | 29,655,056 |
| Administrative expenses | (28,528,481) | (26,596,640) |
| TRADING PROFIT | 2,125,940 | 3,058,416 |
| Other operating income (Note 6) | 114,709 | 254,061 |
| Interest receivable | 586,104 | 357,477 |
| Goodwill written off | (155,773) | (155,772) |
| Interest payable and similar charges (Note 7) | (723,314) | (531,228) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3) | 1,947,666 | 2,982,954 |
| TAX ON PROFIT ON ORDINARY ACTIVITIES (Note 8) | (1,230,837) | (1,728,719) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 716,829 | 1,254,235 |
| Extraordinary item (Note 9) | - | 492,318 |
| PROFIT AFTER EXTRAORDINARY ITEM (Note 19) | 716,829 | 1,746,553 |
| RESERVES BROUGHT FORWARD | | |
| As previously reported | 6,052,046 | 3,770,514 |
| Prior year adjustment (Note 10) | - | 534,979 |
| DIVIDEND PAID | (5,000,000) | - |
| RESERVES CARRIED FORWARD | £1,768,875 | £6,052,046 |

The notes on pages 8 to 20 form part
of these financial statements

J. WALTER THOMPSON UK HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1985

| | <u>1985</u> | <u>1984</u> |
|---|---------------------|---------------------|
| FIXED ASSETS | | |
| Intangible assets (Note 11) | 2,098,650 | 2,254,423 |
| Tangible assets (Note 12) | 4,206,862 | 4,076,680 |
| Investments (Note 13) | 3,391 | 3,391 |
| | <u>6,308,903</u> | <u>6,334,494</u> |
| CURRENT ASSETS | | |
| Expenditure billable to clients | 5,727,941 | 5,543,317 |
| Debtors (Note 15) | 24,433,652 | 21,260,204 |
| Cash at bank and in hand | 2,916,702 | 2,543,004 |
| | <u>33,078,295</u> | <u>29,346,525</u> |
| CREDITORS (amounts falling due within one year) (Note 16) | <u>(31,732,129)</u> | <u>(25,664,720)</u> |
| NET CURRENT ASSETS | <u>1,346,166</u> | <u>3,681,805</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>7,655,069</u> | <u>10,016,299</u> |
| CREDITORS (amounts falling due after more than one year) (Note 16) | <u>(2,638,681)</u> | <u>(2,667,783)</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES (Note 18) | <u>(1,227,037)</u> | <u>(1,275,994)</u> |
| | <u>£3,789,351</u> | <u>£6,072,522</u> |
| CAPITAL AND RESERVES | | |
| SHARE CAPITAL | | |
| Authorised, issued and fully paid: | | |
| 20,000 ordinary shares of £1 each | 20,000 | 20,000 |
| 2,000,000 redeemable ordinary shares of £1 each (Note 22) | 2,000,000 | - |
| PROFIT AND LOSS ACCOUNT | <u>1,768,875</u> | <u>6,052,046</u> |
| | <u>3,788,875</u> | <u>6,072,046</u> |
| | 476 | 476 |
| MINORITY INTERESTS | <u>£3,789,351</u> | <u>£6,072,522</u> |
| DIRECTORS | | |

M. Cooper-Evans
RM Largeant
30 November 1986

M. Cooper-Evans
RM Largeant

The notes on pages 8 to 20 form
part of these financial statements

J WALTER THOMPSON UK HOLDINGS LIMITED
COMPANY BALANCE SHEET - 31 DECEMBER 1985

| | <u>1985</u> | <u>1984</u> |
|--|-------------------|-------------------|
| FIXED ASSETS | | |
| Investments in group companies (Note 14) | 1,633,401 | 1,715,989 |
| | <u>1,633,401</u> | <u>1,715,989</u> |
| CURRENT ASSETS | | |
| DEBTORS (Note 15) | 3,976,357 | 5,231,783 |
| | <u>3,976,357</u> | <u>5,231,783</u> |
| CREDITORS (amounts falling due within one year) (Note 16) | (903,804) | (498,857) |
| | <u>3,072,553</u> | <u>4,732,926</u> |
| NET CURRENT ASSETS | | |
| | <u>4,705,954</u> | <u>6,448,915</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | |
| CREDITORS (amounts falling due after more than one year) (Note 16) | (2,231,582) | (2,231,582) |
| PROVISIONS FOR LIABILITIES AND CHARGES (Note 18) | (239,210) | (233,495) |
| | <u>£2,235,162</u> | <u>£3,983,838</u> |
| CAPITAL AND RESERVES | | |
| SHARE CAPITAL | | |
| Authorised, issued and fully paid: | | |
| 20,000 ordinary shares of £1 each | 20,000 | 20,000 |
| 2,000,000 redeemable ordinary shares of £1 each (Note 22) | 2,000,000 | - |
| PROFIT AND LOSS ACCOUNT | 215,162 | 3,963,838 |
| | <u>£2,235,162</u> | <u>£3,983,838</u> |

DIRECTORS

M. Cooper-Evans
RM Sargeant
30 November 1986

M. Cooper-Evans
RM Sargeant

The notes on pages 8 to 20 form part of these financial statements

J WALTER THOMPSON UK HOLDINGS LIMITED

CONSOLIDATED SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 31 DECEMBER 1985

| | <u>1985</u> | <u>1984</u> |
|--|--------------|-------------|
| SOURCE OF FUNDS | | |
| Profit before taxation | 1,947,666 | 2,982,954 |
| Adjustment for items not involving the movement of funds: | | |
| Depreciation | 813,327 | 733,812 |
| (Profit)/loss on disposal of fixed assets | (2,885) | 37,519 |
| Goodwill written off | 155,773 | 155,772 |
| Movement in minority interests | - | 1,325 |
| | <hr/> | <hr/> |
| TOTAL GENERATED FROM OPERATIONS | 2,913,881 | 3,911,382 |
| Decrease in long-term loans | - | (1,982,105) |
| Issue of share capital | 2,000,000 | - |
| | <hr/> | <hr/> |
| | 4,913,881 | 1,929,277 |
| APPLICATION OF FUNDS | | |
| Dividend paid | 5,000,000 | - |
| Corporation tax paid | 2,831,454 | 540,033 |
| Purchase of fixed assets, net of proceeds on disposal of assets | 940,624 | 895,877 |
| Additional payments in connection with acquisition of subsidiaries | - | 739 |
| | <hr/> | <hr/> |
| | 8,772,078 | 1,436,649 |
| | <hr/> | <hr/> |
| | £(3,858,197) | £ 492,628 |
| (DECREASE)/INCREASE IN WORKING CAPITAL | | |
| Debtors | 3,173,448 | 2,223,934 |
| Work in progress | 184,624 | 1,816,163 |
| Creditors | (2,000,148) | (3,508,161) |
| Movement in net liquid funds: | | |
| Bank balances and cash in hand | 373,698 | 808,729 |
| Bank overdraft | (5,589,819) | (848,037) |
| | <hr/> | <hr/> |
| | £(3,858,197) | £ 492,628 |

The notes on pages 8 to 20 form part of these financial statements.

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985

1 ACCOUNTING POLICIES

The following is a summary of the principal accounting policies followed by the group in the preparation of the financial statements.

Basis of accounting

The consolidated financial statements, prepared under the historical cost convention, include the financial statements of the Company and its material subsidiaries. The accounts of three subsidiaries have not been consolidated on the grounds of immateriality. Intercompany transactions are eliminated. These accounts have been prepared in compliance with the Companies Act 1985.

Revenue recognition

Advertising and related activities:

The primary source of revenue from advertising and related activities is commission and fees retained from the gross cost of media and advertising production charges billed to clients. In general, revenue is recognised by the group based on public presentation date for media advertising and when billed to clients for production costs. Payroll costs are written off as incurred.

Market research activities:

In general, profit is recognised only upon completion of each project. Costs including appropriate overhead allocations relating to projects in progress at the balance sheet date are carried forward in expenditure billable to clients. All other expenditure is expensed as incurred.

Expenditure billable to clients

Production expenditure billable to clients is stated at the lower of cost or net realisable value. Media expenditure billable to clients is stated at net realisable value.

Fixed assets, depreciation and amortisation

Fixed assets are stated at cost less depreciation. Fixed assets are depreciated on a straight-line basis over their estimated useful lives which range from three to twenty years. Amortisation of leasehold improvements is provided over the term of the related lease or their estimated useful life, whichever is less.

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Goodwill and amortisation

Goodwill arising on consolidation, being the excess of cost of investment in subsidiaries over the fair value of the net assets of the companies at the date of acquisition, is amortised on a straight-line basis over the estimated periods of benefit ranging between 15 and 25 years.

Deferred taxation

Provision is made for deferred taxation, calculated on the liability method, arising primarily from the excess of taxation allowances claimed over the corresponding depreciation charged in the accounts in respect of fixed assets, where it is probable that a liability will crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Items of income and expenditure are translated at the rate of exchange ruling at the date of recording the transaction in the accounts. Differences arising from movements in rates of exchange are dealt with in the profit and loss account.

Pensions

Contributory pension plans are maintained for substantially all qualifying employees. The annual pension fund contributions are calculated to meet liabilities accrued by virtue of service.

2 TURNOVER

The turnover of the group comprises:

| | <u>1985</u> | <u>1984</u> |
|---|---------------------|---------------------|
| Fees and billings to clients | 186,848,676 | 174,776,553 |
| Media costs paid by clients normally paid and billed by the agency (commission on these costs is included in fees and billings above) | 20,383,219 | 9,801,072 |
| | <u>£207,231,895</u> | <u>£184,577,625</u> |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging the following:

| | <u>1985</u> | <u>1984</u> |
|--|-------------|-------------|
| | £ | £ |
| Wages and salaries | 15,036,868 | 13,925,625 |
| Social security costs | 1,119,855 | 954,199 |
| Other pension costs | 1,169,427 | 1,129,209 |
| Depreciation of fixed tangible assets | 813,327 | 733,812 |
| Hire of cars and equipment | | |
| Under operating leases (see also Note 21) | 917,000 | 742,000 |
| Under finance leases * | 225,000 | - |
| Auditors' remuneration | 70,175 | 64,535 |
| Net management charges (to)/from immediate holding company (Note 23) | (340,123) | 172,305 |

* This figure has been calculated in conformity with SSAP 21. No comparative figure is readily available for 1984.

4 DIRECTORS' AND HIGHER PAID EMPLOYEES' EMOLUMENTS

Aggregate directors' emoluments were £117,676 (1984 - £117,041).

Excluding pension contributions, the emoluments of the highest paid director (there was no chairman) were £114,529 (1984 - £117,041).

The emoluments of the other directors fell in the following ranges:

| | <u>1985</u> | <u>1984</u> |
|--|---------------|---------------|
| | <u>Number</u> | <u>Number</u> |
| £0 - £5,000 | 3 | 2 |
| Numbers of employees other than directors whose emoluments (excluding pension contributions) exceeded £30,000, fell in the following ranges: | | |
| £30,001 - £35,000 | 17 | 25 |
| £35,001 - £40,000 | 23 | 14 |
| £40,001 - £45,000 | 6 | 5 |
| £45,001 - £50,000 | 9 | 5 |
| £50,001 - £55,000 | 4 | 2 |
| £55,001 - £60,000 | 4 | 3 |
| £60,001 - £65,000 | 4 | - |
| £65,001 - £70,000 | 1 | 2 |
| £70,001 - £75,000 | 1 | 1 |
| £75,001 - £80,000 | 3 | 1 |
| £80,001 - £85,000 | 1 | 1 |
| £85,001 - £90,000 | 1 | 1 |
| £90,001 - £95,000 | 1 | 1 |
| £95,001 - £100,000 | 1 | 2 |
| £100,001 - £105,000 | 1 | - |
| £105,001 - £110,000 | 1 | 2 |
| £110,001 - £115,000 | 1 | - |
| £115,001 - £120,000 | 1 | - |
| £120,001 - £125,000 | 1 | - |
| £125,001 - £130,000 | 1 | - |
| £130,001 - £135,000 | 1 | - |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

5 EMPLOYEES

The average number of persons employed by the group during the year (excluding interviewers engaged in market research surveys) was 1,008 (1984 - 975).

6 OTHER OPERATING INCOME

| | <u>1985</u> | <u>1984</u> |
|---------------------------------|-----------------|-----------------|
| Exchange gains | - | 96,328 |
| Cash discounts received | 103,667 | 168,015 |
| Profit/(Loss) on sale of assets | 2,885 | (37,519) |
| Capital gain on sale of lease | - | 22,496 |
| Miscellaneous income | 8,157 | 4,741 |
| | <u>£114,709</u> | <u>£254,061</u> |

7 INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1985</u> | <u>1984</u> |
|--|-----------------|-----------------|
| Interest on bank overdraft | 281,304 | 86,865 |
| Interest on other loans (repayable within 5 years) | 272,804 | 273,585 |
| Interest on other loans (repayable on demand) | 21,345 | 170,778 |
| Exchange losses | 147,861 | - |
| | <u>£723,314</u> | <u>£531,228</u> |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the profit for the year at the rates specified below and comprises:

| | <u>1985</u> | <u>1984</u> |
|--|-------------------|-------------------|
| Corporation tax at 41.25% (1984 46.25%) | 1,274,270 | 1,670,951 |
| Deferred tax | (42,567) | 89,103 |
| Deferred tax on chargeable gain rolled over at 30% | - | 6,749 |
| Adjustments in respect of prior years: | | |
| Corporation tax | 5,524 | (36,333) |
| Deferred tax | (6,390) | (1,751) |
| | <u>£1,230,837</u> | <u>£1,728,719</u> |

9 EXTRAORDINARY ITEM

The extraordinary item in 1984 represented the release of deferred taxation following the reductions in corporation tax rates embodied in the Finance Act 1984.

10 PRIOR YEAR ADJUSTMENT

During 1983 the terms of a lease agreement for the premises in Ealing due to expire at the end of December 1989 were renegotiated and the Company received a lump sum thereby generating a capital gain. The policy adopted for accounting for such gains was changed so that they are recognised in the year in which they arise rather than deferred over the period of the lease.

11 INTANGIBLE ASSETS

| | |
|------------------------------|-------------------|
| Goodwill at 1 January 1985 | 2,254,423 |
| Amount written off in year | 155,773 |
| | <u>£2,098,650</u> |
| Goodwill at 31 December 1985 | |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

12 TANGIBLE ASSETS

| <u>Group</u> | <u>Improvements to leasehold premises</u> | <u>Fixtures fittings and equipment</u> | <u>Total</u> |
|-------------------------------------|---|--|--------------|
| <u>Cost</u> | | | |
| At 1 January 1985 | 4,532,091 | 3,003,753 | 7,535,844 |
| Additions | 419,746 | 563,518 | 983,264 |
| Disposals | - | (65,755) | (65,755) |
| At 31 December 1985 | 4,951,837 | 3,501,516 | 8,453,353 |
| <u>Depreciation</u> | | | |
| At 1 January 1985 | 1,561,978 | 1,897,186 | 3,459,164 |
| Charge for the year | 453,390 | 359,937 | 813,327 |
| Disposals | - | (26,000) | (26,000) |
| At 31 December 1985 | 2,015,368 | 2,231,123 | 4,246,491 |
| <u>Net book amount</u> | | | |
| At 31 December 1985 | £2,936,469 | £1,270,393 | £4,206,862 |
| At 31 December 1984 | £2,970,113 | £1,106,567 | £4,076,680 |
| <u>Company</u> | | | |
| The Company has no tangible assets. | | | |

J. WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

13 INVESTMENTS

The Group holds the following investments:

| | <u>1985</u> | <u>1984</u> |
|---|---------------|---------------|
| 50% of the issued ordinary share capital of POA Holdings Limited at a cost of: | 50 | 50 |
| 24.5% of the issued ordinary share capital of Lanka Market Research Bureau, at a cost of: | 1,571 | 1,571 |
| Loan to India Market Research Bureau | 1,770 | 1,770 |
| | <u>£3,391</u> | <u>£3,391</u> |

POA Holdings Limited ("Portland") provides poster advertising and space letting services to its members. Portland has an issued share capital of £100, making neither profit nor loss, each member contributing to its operating costs based on the letting value of services provided. The Group's share of Portland operating costs amounting to £49,550 (1984 - £199,587) has been dealt with in the profit and loss account. Loans of £25,000 (1984 - £25,000) made to Portland are included within debtors.

Lanka Market Research Bureau is incorporated in Sri Lanka. It has not been treated as an associated company since the directors do not influence its financial or operating decisions.

14 INVESTMENTS IN GROUP COMPANIES

| | |
|----------------------------|-------------------|
| Balance at 1 January 1985 | 1,715,989 |
| Amount written off in year | 82,588 |
| | <u>£1,633,401</u> |

Investments in subsidiaries are stated at cost less amounts written off and are in the ordinary shares of the following wholly-owned companies, which are registered in England unless otherwise stated:

J Walter Thompson Group Limited
LansdownEuro Limited

J Walter Thompson Group Limited has investments in the ordinary shares of the following wholly-owned companies which are registered in England:

- * J Walter Thompson Company (Manchester) Limited
- * MRB International Limited (now named MRB Group Limited)
- * J Walter Thompson Deltakos Group Limited
- * Deltakos (UK) Limited
- * Berkeley Advertising Associates Limited
- * British Marketing and Distributing Company Limited
- * J Walter Thompson Trustees Limited
- * Lansdowne Marketing Limited
- * J Walter Thompson Company Limited
- * J Walter Thompson Middle East Limited
- * Art Control Limited

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

14 INVESTMENTS IN GROUP COMPANIES (CONTINUED)

J Walter Thompson Company (Manchester) Limited has investments in the ordinary shares of the following wholly-owned companies which are registered in England:

- * Astley Promotion Company Limited
- * Yeoward, Taylor Recruitment Limited
- * Yeoward, Taylor and Bonner (Chester) Limited

MRB International Limited has investments in the ordinary shares of the following companies, all wholly-owned unless otherwise stated and all registered in England and Wales except as noted:

- * British Market Research Bureau Limited
- * European Market Research Bureau Limited
- Mass Observation (UK) Limited
- ** Market Behaviour Inc. (incorporated in the United States of America)
- Market Behaviour Limited
- * Media Research Consultancy Limited
- ** European Market Research Bureau Italia Srl (incorporated in Italy)
- ** MERAC Limited (60% owned)

A related party holds 76 redeemable participating non-cumulative 10% preference shares in Market Behaviour Limited.

LansdownEuro Limited has investments in the ordinary shares of the following companies, all wholly-owned unless otherwise stated and all registered in England:

- * EA Media Services Limited (formerly EA Recruitment Limited)
- * Print Management Limited
- * Ace Studios Limited

Seventeen of the above companies (denoted by *) either operate under agency agreements within the group or are dormant.

Three of the above companies (denoted by **) have not been consolidated on the grounds of immateriality.

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

15 DEBTORS

| | <u>1985</u> | <u>1984</u> |
|-------------------------------------|--------------------|--------------------|
| <u>Group</u> | | |
| Trade debtors | 20,235,617 | 17,877,497 |
| Amounts owed by fellow subsidiaries | 932,784 | 1,531,331 |
| Amounts owed by employees | 163,088 | 139,560 |
| Loans to associated company | 25,000 | 25,000 |
| ACT recoverable | 1,180,595 | - |
| Other debtors | 478,214 | 422,842 |
| Prepayments and accrued income | 1,418,354 | 1,263,974 |
| | <u>£24,433,652</u> | <u>£21,260,204</u> |
| <u>Company</u> | | |
| ACT recoverable | 1,180,595 | - |
| Amounts owed by subsidiaries | 2,795,762 | 5,231,783 |
| | <u>£3,976,357</u> | <u>£5,231,783</u> |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

16 CREDITORS

| | 1985 | | 1984 | |
|------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Due within one year | Due after one year | Due within one year | Due after one year |
| <u>Group</u> | | | | |
| Bank overdraft | 7,316,183 | - | 1,726,364 | - |
| Trade creditors | 16,340,493 | - | 16,217,304 | - |
| Amounts owed to: | | | | |
| Holding company | 122,766 | - | 151,992 | - |
| Fellow subsidiaries | 20,492 | - | 118,912 | - |
| Other creditors | 2,763,319 | 31,730 | 2,148,421 | 29,388 |
| Accruals and deferred income | 2,055,224 | 288,221 | 1,474,593 | 295,084 |
| Taxation and social security | 3,113,652 | 87,148 | 3,345,383 | 111,729 |
| Loans (Note 17) | - | 2,231,582 | 481,751 | 2,231,582 |
| | <u>£31,732,129</u> | <u>£2,638,681</u> | <u>£25,664,720</u> | <u>£2,667,783</u> |
| <u>Company</u> | | | | |
| Amounts owed to: | | | | |
| Holding company | 151,661 | - | - | - |
| ACT payable | 732,143 | - | - | - |
| Accruals and deferred income | 20,000 | - | 17,106 | - |
| Loans (Note 17) | - | 2,231,582 | 481,751 | 2,231,582 |
| | <u>£903,804</u> | <u>£2,231,582</u> | <u>£498,857</u> | <u>£2,231,582</u> |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

17 LOANS (GROUP AND COMPANY)

| | 1985 | | 1984 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | <u>Due within one year</u> | <u>Due after one year</u> | <u>Due within one year</u> | <u>Due after one year</u> |
| Unsecured 8% loan from Holding Company repayable after 31 December 1986 | - | 650,000 | - | 650,000 |
| Unsecured loan stock, repaid during 1985 | - | - | 313,847 | - |
| Unsecured loan stock, repaid during 1985 | - | - | 167,904 | - |
| Unsecured promissory note (held by fellow subsidiary), with interest payable at one percent above the base rate in London of Manufacturers Hanover Trust Company on 1 September immediately preceding the interest payment date, repayable after 31 December 1986 | - | 1,581,582 | - | 1,581,582 |
| | - | £2,231,582 | £481,751 | £2,231,582 |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985 (CONTINUED)

18 PROVISIONS FOR LIABILITIES AND CHARGES

| | <u>Group</u> | | <u>Company</u> | |
|---|-------------------|-------------------|-----------------|-----------------|
| | <u>1985</u> | <u>1984</u> | <u>1985</u> | <u>1984</u> |
| Deferred taxation | <u>£1,227,037</u> | <u>£1,275,994</u> | <u>£239,210</u> | <u>£233,495</u> |
| Deferred tax is provided in full and comprises: | | | | |
| Accelerated tax depreciation | 963,523 | 1,029,868 | - | - |
| Short term timing differences | 18,575 | 1,187 | - | (5,715) |
| Chargeable gain rolled over | 244,939 | 244,939 | 239,210 | 239,210 |
| | <u>£1,227,037</u> | <u>£1,275,994</u> | <u>£239,210</u> | <u>£233,495</u> |

- 19 Of the profit for the financial year of £716,829 (1984 £1,746,553), £1,251,324 (1984 loss of £286,042) has been dealt with in the profit and loss account of the Company.

Advantage has been taken of S228 of the Companies Act 1985 not to produce a separate profit and loss account for the Company.

20 CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for at 31 December 1985 amounted to £11,000 (1984 - £73,000). There was no capital expenditure authorised but not contracted for at 31 December 1985 (1984 - £Nil).

21 LEASING OBLIGATIONS AND COMMITMENTS

The Group has future finance lease obligations net of future finance charges as follows:-

| | |
|--------------------------|-----------------|
| Payable within 1 year | 222,000 |
| Payable within 2-5 years | 309,000 |
| Payable after 5 years | - |
| | <u>£531,000</u> |

J WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1985

21. LEASING OBLIGATIONS AND COMMITMENTS (CONTINUED)

Assets leased under finance leases have not been capitalised in these financial statements.

No commitments existed at 31 December 1985 in respect of finance leases which had been entered into but whose inception had not occurred.

In addition to the operating lease rentals disclosed in note three, amounts totalling £2,366,000 were charged in the profit and loss account in relation to rent of premises under operating leases.

Commitments existing at the balance sheet date to pay operating lease rentals during the following year were:-

| | <u>Premises</u> | <u>Other</u> |
|--|-----------------|--------------|
| Commitment expiring during the following year | - | 720,000 |
| Commitment expiring in the second to fifth years | 14,000 | 343,000 |
| Commitment expiring in over five years | 2,048,000 | - |
| | <hr/> | <hr/> |
| | £2,062,000 | £1,063,000 |
| | <hr/> | <hr/> |

22. REDEEMABLE ORDINARY SHARES

In December the Company issued 2,000,000 redeemable ordinary shares of £1 each to its immediate holding company. These shares are redeemable at par at the option of the Company at any future date.

23. HOLDING COMPANY

The immediate holding company is J. Walter Thompson Company, which is incorporated in the United States of America. The ultimate holding company is JWT Group Inc., which is incorporated in the United States of America.