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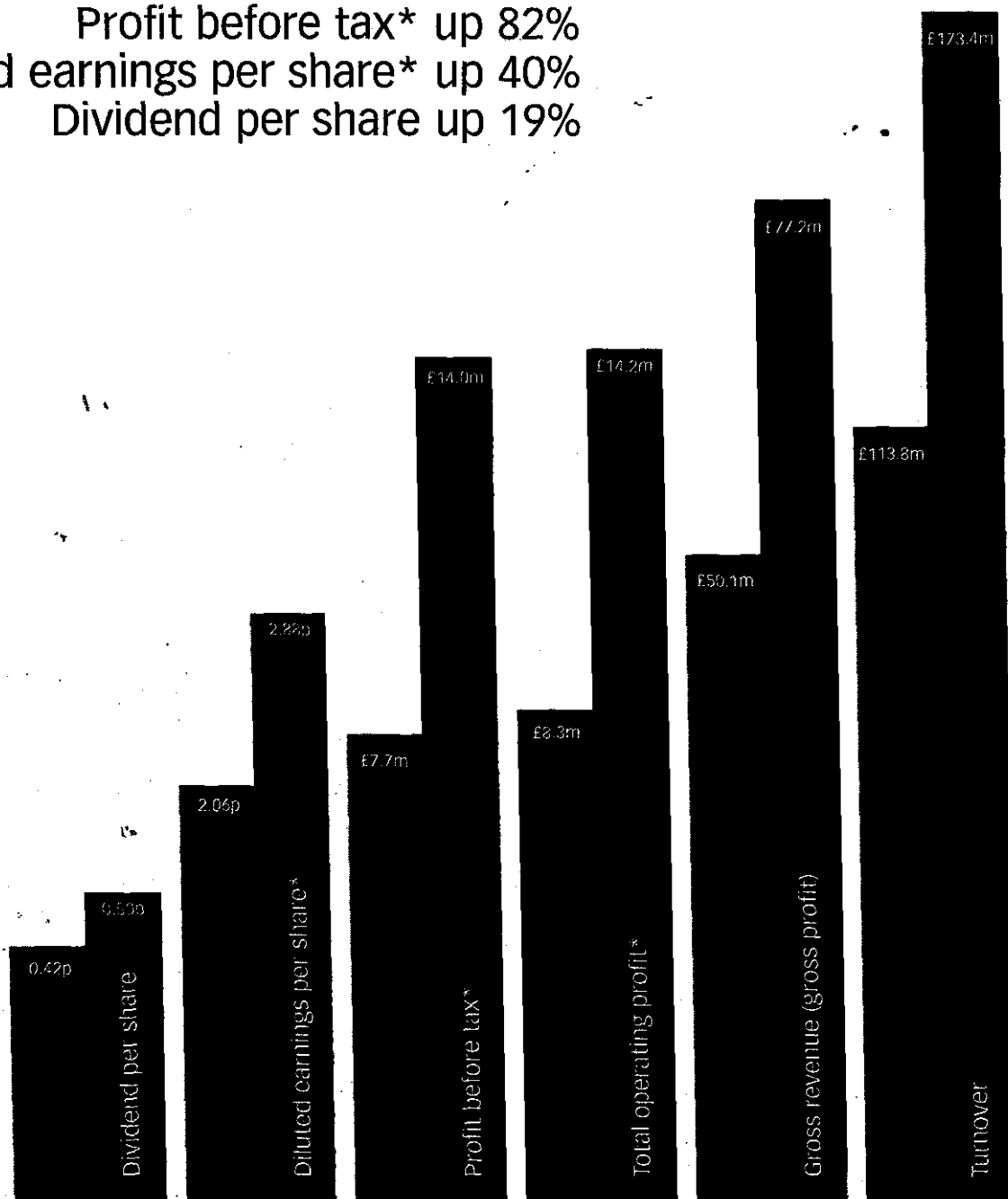
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Incepta Group plc Annual Report 2000
International marketing & communications

We are a leading international marketing and communications group delivering record results and value for our shareholders

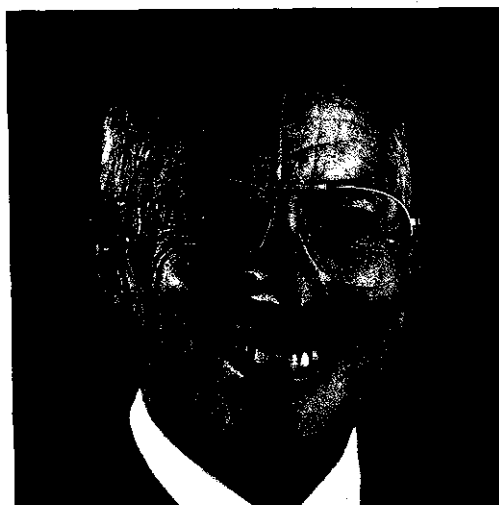
Turnover up 52%
Gross revenue (gross profit) up 54%
Total operating profit* up 71%
Profit before tax* up 82%
Diluted earnings per share* up 40%
Dividend per share up 19%



*before exceptional items

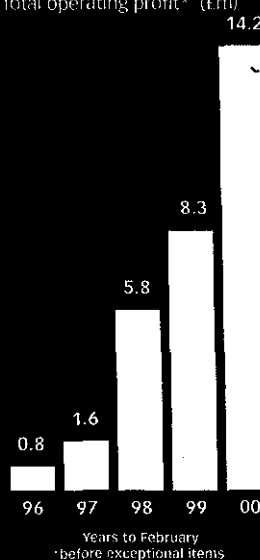
■ Year ended 29th February 2000
■ Year ended 28th February 1999

Chairman's statement

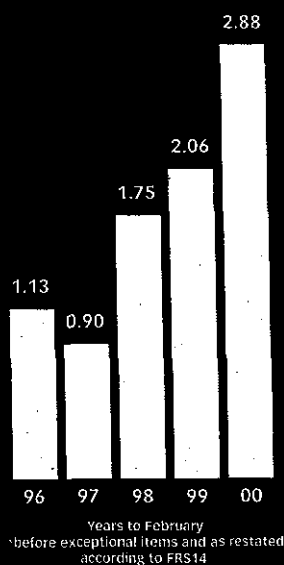


Bob Morton
Chairman

Incepta Group plc
Total operating profit* (€m)



Incepta Group plc
Diluted earnings per share* (p)



An exceptional year of growth, success and opportunity

This has been an exceptional year for Incepta. Strong organic growth, the acquisition of first class businesses in our core markets worldwide and our ability to exploit opportunities as they arise, have combined to deliver record financial results and strengthen our position as one of the world's fastest growing marketing and communications groups.

Strong trading across all divisions resulted in gross revenue increasing by 54% and total operating profit before exceptional items by 71% to £14.2 million. Our strategic investment in Lopex resulted in an exceptional pre-tax profit of £11.0 million and released net cash of £16.6 million for further investment in the Group. Overall, prudent management of our cash flows and working capital generated £25.7 million in cash. Diluted earnings per share before exceptional items increased by 40% to 2.88 pence. Since the Group was transformed by the acquisition of Citigate in March 1997, we have witnessed compound growth in diluted earnings per share of well over 40%. The board is recommending a 19% increase in the final dividend to 0.50 pence per share.

Our investment in Dewe Rogerson in October 1998 was driven by our strategy of building critical mass in each of the disciplines and core markets in which we operate. It has been an outstanding success. Citigate Dewe Rogerson is the world leader in share offer marketing, this year pioneering the first pan-European retail share offering and continuing to play a significant role in a number of major UK and European mergers and acquisitions.

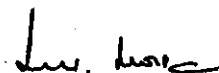
The acquisitions during the year of i.MAGE in Singapore, SEA in Germany and, since the year end, Sard Verbinen, a leading New York financial public relations and crisis communications consultancy, complement the strengths of Citigate Dewe Rogerson perfectly, enabling us to offer outstanding strategic advice and implementation in each of the main financial regions in the world.

The demand for the services of our advertising, marketing services and design & branding operations has also been strong, with our UK and international businesses working closely together to win demanding and high profile mandates. Four Group companies worked on a global campaign for the merger of Deutsche Bank and Bankers Trust, and Park Avenue played a central role in the UK's Millennium celebrations.

During the year we have also established Citigate.com at a Group level to co-ordinate our existing on-line and new media activities, enabling us to offer our clients a fully integrated service for all on-line and off-line communications.

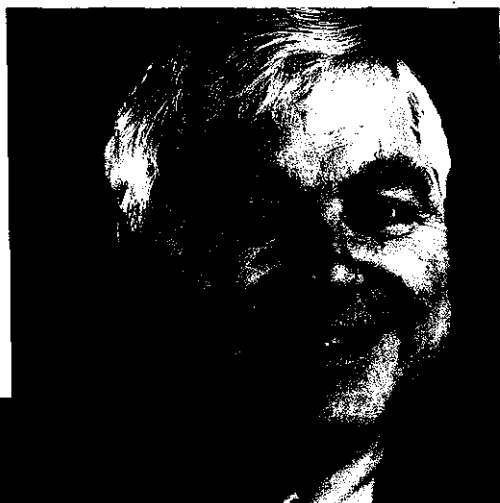
More than anything, our success is a reflection of our people. Their expertise and commitment to the Group have created an entrepreneurial culture with the vision and determination to play a leading role in the consolidation of the global media sector.

The Group has made a strong start to 2000/01 and I look forward with confidence to another year of high growth.



Bob Morton
Chairman
2 May 2000

Chief Executive's review



David Wright
Chief Executive

I am delighted to report on another outstanding year in the development and financial performance of the Group.

Through sustained organic growth across our core businesses and strategic investment, we have secured a distinctive positioning in the media sector as one of the most successful and fastest growing marketing and communications groups.

Gross revenue increased by 54% to £77.2 million on turnover up 52% to £173.4 million. Profit on ordinary activities before tax and exceptional items grew by 82% to £14.0 million, whilst our operating margin at over 18% remains amongst the highest in our sector. Diluted earnings per share rose by 40% underlining again our long term commitment to generating shareholder value. This continues the exceptional growth that the Group has achieved since the Citigate acquisition at the beginning of the 1997/98 financial year.

We have enjoyed the benefits of our first full year following the acquisition of Dewe Rogerson in October 1998. The enlarged Group has had an excellent year, establishing Citigate Dewe Rogerson as one of the world's leading financial communications consultancies.

In July 1999 we demonstrated our ability to capitalise on an earnings-enhancing opportunity through the disposal of our strategic investment in Lopex plc, securing an exceptional pre-tax profit of £11.0 million. Our 27% holding had been accumulated over a two year period at an average price of 38 pence per share. A full and final offer was launched for the whole of the issued ordinary share capital not already owned by the Group. We subsequently accepted a substantial cash counter offer of 120 pence per share. Net cash proceeds of £16.6 million were committed to the Group's ongoing investment programme.

A significant development was the establishment of Citigate.com to consolidate the Group's existing on-line and new media activities and to enable us to offer our clients a fully integrated service for all on-line and off-line communications. The new company has become the engine for our investment in on-line and new media capability and spearheads the Group's determination to reflect the full potential of new technologies in the services we provide to our clients.

Public Relations

Gross revenue for the public relations division increased by 77% to £41.0 million and operating profit before exceptional items grew by 136% to £6.9 million.

Citigate Dewe Rogerson has had an outstanding year. It has made a major contribution to Group profits, acted as a catalyst in generating business for other Group companies and accelerated the growth in cross-border referrals.

Citigate Dewe Rogerson is the clear global leader in share offer marketing having handled 140 transactions to date in 35 different countries raising over US\$340 billion. It is the leading innovator in retail share offer marketing as demonstrated by Deutsche Telekom II, the first ever pan-European retail offer, and Siemens' demerger of Infineon Technologies, the largest high tech IPO to date worldwide. Citigate Dewe Rogerson advised the Italian Treasury on the privatisation of ENEL, the largest IPO in the world in 1999. It is also a leading adviser on European technology listings with Terra Networks, Freeserve, lastminute.com, gameplay.com and T-Online all brought to the market this year.

The long term potential of our Group is starting to be realised

Citigate Dewe Rogerson continues to operate at the heart of corporate activity and has been involved in a significant number of the major UK and European mergers and acquisitions. Projects included Punch Taverns' campaign to acquire Allied Domecq's pubs, Olivetti's bid for Telecom Italia, Scottish Widows' demutualisation and merger with Lloyds TSB and the merger of Granada and Radio Rentals TV rental businesses. We also worked for Paribas and Société Générale on their merger and defence against the BNP bid, Legal & General in its proposed merger with NatWest and Telewest on its acquisition of Flextech.

The corporate public relations division, responsible for brand management and corporate profile development, has continued to prosper. It advised on the launch of Nasdaq Europe and Nasdaq Japan and has grown significantly through its work for a diverse range of clients, including Lovells, Granada Road Services, Littlewoods Leisure, Nomura and Sports.com.

Citigate Dewe Rogerson also ranks among the world's leading investor relations consultancies, providing strategic advice and programme implementation for over 200 companies worldwide.

The financial services public relations division saw significant growth during the year in terms of client acquisition and recruitment, driven in both cases by the desire for 'best of breed' association. The Internet is the key marketplace dynamic, with the landscape transforming rapidly. Our clients are both driving and reflecting this accelerating change and we will continue to develop our offering to stay ahead of their needs.

Citigate Dewe Rogerson's new broadcast division came fully into its own during the year under review, handling a range of assignments for existing clients and winning significant new business.

For Citigate Technology the current year was one in which its IT sector clients broadened their PR programmes to include business managers and the boardroom, as well as IT specialists. We advise a number of major IT services brands, as well as leading software vendors and innovative technology companies.

Citigate Public Affairs is now firmly established as a leading UK public affairs agency, with offices in Edinburgh, Cardiff and Brussels as well as London, and over 100 clients. During the year, it advised on the political and regulatory aspects of several major mergers and acquisitions and on competition inquiries in the UK and at European Union level. Clients have benefited from the company's expertise in e-commerce, its understanding of the government's desire to close the digital divide and the European Commission's approach to regulation of the new technologies.

Our US client base also continues to expand. Increasingly, we are providing 'front-to-back end' services to individual clients as many companies choose Citigate Dewe Rogerson as their adviser prior to going public, retain us for their listing and then assign to us their ongoing communications programmes. Our US shareholder intelligence division made several strategic acquisitions this year, strengthening our position as a global leader in the provision of information about share ownership and buying patterns of a company's stock.

We are experiencing a major expansion in our US technology business. Citigate Dewe Rogerson in New York advised Wit Capital Group, the first on-line investment bank, on its Nasdaq listing and provided communications support for its merger with SoundView, a leading technology-focused investment bank. We also provide strategic counsel to Internet-driven companies such as Entrade Inc., that are active in the global on-line marketplace, and Internet security organisations such as Content Technologies.

In Hong Kong we underlined our position as one of the top financial communications consultancies by advising on the IPO of the Tracker Fund of Hong Kong. Our newly-acquired subsidiary in Singapore, renamed Citigate Dewe Rogerson i.MAGE, maintained its pole position in domestic capital market transactions for the ninth consecutive year, launching 27 out of a total of 50 new IPOs for calendar 1999, accounting for 54% of all IPOs and 63% of all monies raised. It has already made a significant contribution to the Group in the current year and enhances our strategic presence in Southeast Asia.

We have also begun to reap the benefits of the renewed strength in Latin American markets and have established a new affiliation in Buenos Aires, Argentina.

Advertising

Our advertising division has had a very good year generating gross revenue of £18.1 million, an increase of 39% over the previous year, and operating profit before exceptional items of £3.4 million.

Citigate Albert Frank in London has entered the list of top 30 agencies in the UK for the first time. This reflects a strong trading performance in our traditional sectors of corporate, financial and financial services. As the final stage of the integration of Dewe Rogerson, their advertising agency, initially renamed Citigate Dewe Rogerson Advertising & Branding, was integrated into Citigate Albert Frank to form a single brand in the UK. We continue to win widespread recognition and respect for our creative work and this year won a Golden 'Mobius' award for art direction in the print category for our client Investment Week. Our new media facility complements existing services to clients and the agency's role as a full service provider of advertising and marketing services.

The services of Citigate Albert Frank and Citigate Dewe Rogerson, in New York were integrated under a unified management structure and handled comprehensive communications programmes for a number of major clients including Wit Capital Group, EDGAR Online, IDEAGlobal, Convergence Communications, Prescient Markets and GE Capital.

Our San Francisco office had its best year ever. By offering integrated advertising, corporate identity and design services, they secured a number of high profile mandates including Morgan Stanley Dean Witter Online, Emery Worldwide and Dresdner RCM Global Investors.

Alexander Demuth (now rebranded Citigate Demuth) expanded its role in the German marketplace as a specialist in corporate communications. Corporate advertising campaigns for Deutsche Bank, Opel and BHF Bank and corporate branding assignments for the mergers of VEBA/VIAG and Condor/Neckermann, illustrated the agency's reputation for strategic communications.

In Hong Kong, Citigate Window Creative attracted new work from AXA and SunEvision as well as benefiting from increased spending by existing clients such as The Asian Wall Street Journal and Schroders, as the economic climate continues to improve.

Marketing Services

The year under review was another strong one for the Group's marketing services division, with gross revenue increasing by 24% to £9.6 million and operating profit before exceptional items by 8% to £2.5 million.

In addition to work for regular clients, including Opel's centenary at the Geneva Motor Show and several projects for British Airways, Park Avenue co-ordinated a satellite-linked live event in Frankfurt and New York for the global launch of the Deutsche Bank and Bankers Trust merger. We also produced a brand awareness video for Marks & Spencer and staged the adidas World Conference in Sydney. New Year's Eve marked the launch of the British Airways London Eye with spectacular lasers, lighting, music and fireworks all staged by Park Avenue. Further along the Thames, Her Majesty the Queen was opening the Millennium Dome, containing Home Planet, the only ride in the Dome – designed and built by Park Avenue.

Building on Park Avenue's established reputation for creative achievement, Yellow Line was launched during the year as a second brand to focus on investor relations logistics. Park Avenue has also recently established an office in Frankfurt to provide international communications expertise for German companies with global ambitions.

Following the successful acquisition of TEAM and subsequent merger with LGM, the new enlarged agency, TEAM LGM, has had an outstanding year. Many notable campaigns have been carried out for clients such as 'Coca-Cola', HFC Bank, Post Office Counters and Bestfoods. Significant new business wins have come from Telewest, Flextech TV, Bacardi-Martini and bigsave.com. Now a top 20 agency within its sector, TEAM LGM has earned a reputation for outstanding creativity, strong strategic thinking and excellent delivery.

Design & Branding

Whilst the design & branding division continues to grow, with gross revenue 34% ahead at £9.1 million, its 6% increase in operating profit before exceptional items to £0.9 million was below internal expectations. Plans are underway to develop the division by further growth and acquisition in key markets to establish greater critical mass.

Citigate Lloyd Northover has positioned itself as one of the leading corporate branding businesses worldwide. The UK business has made substantial gains in new media activity and on-line branding. During the year, a corporate branding and design presence was established in Frankfurt in order to develop our business in the German market.



Citigate Publishing is one of the UK's leading names in corporate publishing, producing publications in print and on screen for a wide range of high profile private and public sector organisations such as McDonald's, British Red Cross, Home Office and Nestlé. During the year, the business moved into a new office and studio equipped with the latest publishing technology, from which we are already enjoying both operational and financial benefits.

Acquisitions

The acquisition of SEA in February of this year was a major step in the Group's strategy to create a strong, diversified marketing and communications operation across Continental Europe. SEA is one of the leading advertising and corporate communications businesses in Germany and has over 150 people in its offices in Düsseldorf, Berlin and Bonn. It complements our Frankfurt-based agency, Citigate Demuth, and gives the Group a substantial presence in one of the most powerful economies in Europe. SEA Dewe Rogerson, which specialises in financial public relations and investor relations in Germany, also became wholly-owned by the Group as part of the SEA transaction and has been renamed under the Citigate Dewe Rogerson brand.

Since April 1999, our public affairs operations in the UK and Europe have been enhanced by the addition of The Public Policy Unit, a business and management consultancy specialising in government related work and public affairs.

In South Africa, two acquisitions during the year and one more recently represent significant progress in our strategy to build a multi-disciplined practice in the region. Rainmaker Public Relations and Reader Pollock, an advertising and marketing agency, were combined with Citigate South Africa in September 1999. In March 2000, the Group acquired Ballard & King Communications, one of the leading IT public relations consultancies in South Africa.

There were several smaller acquisitions in the second half. In the US, the acquisitions of Kissel-Blake, Power IR and the stockwatch and shareholder intelligence division of CIC are aimed at boosting the Group's investor relations capability and developing our global on-line applications. We have also recently acquired SMARTS, one of the leading advertising and design agencies in Scotland.

Since the year end, the Group's internet and new media operations have been expanded further by the acquisition of London-based MARCHCom and CAROL Limited (Company Annual Reports On-Line). Both companies provide on-line investor relations services and will extend our e-commerce and new media capabilities under the Citigate.com brand.

The Group has also substantially expanded its financial communications capabilities with the more recent acquisition of Sard Verbinen based in New York. Established in 1992, Sard Verbinen has developed into one of the leading financial public relations and crisis agencies in the US. It specialises in strategic corporate, financial and investor relations, crisis communication counsel and services, with particular expertise and experience advising organisations during hostile or friendly M&A transactions. Since its foundation, Sard Verbinen has acted for clients on over 180 M&A transactions.

Our vision

Our goal continues to be to increase shareholder value through the development of an international marketing and communications group with capability at the highest level in every division.

With first time contributions from both SEA and Sard Verbinen, we expect a substantial part of the Group's earnings in the 2000/01 financial year to come from outside the UK. We will be seeking to further our reputation for earnings growth through successful integration of these and our other recent acquisitions.

The Group will continue to expand its worldwide presence to provide an even stronger base from which to meet our clients' ever-growing marketing and communications needs. As our brand becomes increasingly recognised in global markets, the opportunities appear greater than ever.

Our people

Our most valuable resource is our people and it is their collective ability and dedication that has been the single most important factor in the remarkable growth of the Group in recent years.

More than 40% of our employees are shareholders, owning over 40% of the Group's equity, and it remains a core strategy to encourage participation in the success of the Group in this way. Acquisitions are typically structured to give key employees a stake in the Group in line with the Group's strategy to maintain a wide employee shareholder culture.

Following the overwhelming interest in the first scheme last year, another Save As You Earn scheme was launched in December 1999 and was once again heavily oversubscribed. It is the board's intention to continue to foster its philosophy of wide and deep share ownership through similar initiatives in the current financial year. It is for this reason that the Group is to seek shareholder approval for new share option proposals.

This year's results are evidence of the considerable hard work that has been put in around the world. I sincerely thank everyone in the Group for this achievement.

Current trading

The Group has made a strong start to the current year. Taking into account the operational benefits expected from our recent acquisitions and the further development of our new media and on-line capabilities, the Group is well placed to deliver further high growth.



David Wright
Chief Executive
2 May 2000

Did you know...?

- **That Incepta acquired Citigate in March 1997**
creating our four core disciplines of public relations, advertising, marketing services and design & branding
- **That Citigate was founded in 1988 by 35 people**
who shared a vision to build the world's leading marketing and communications group
- **That Citigate's diluted earnings per share grew by a compound rate of over 40%** as a private company over the five years to 1997
- **That Incepta's earnings per share has grown by a compound rate of over 40% a year since the Citigate acquisition** based on the key measure of diluted earnings per share before exceptional items
- **That Incepta was promoted to the UK FTSE 250 in March 2000** and is one of the fastest growing companies in its sector
- **That Incepta currently employs over 1,300 people in 38 offices across the world** in all of the main financial centres
- **That Incepta generated revenues of £77 million in the year to February 2000** from over 1,400 clients covering every key sector
- **That Citigate Dewe Rogerson is one of the world's leading financial communications companies** advising on IPOs, listings, mergers & acquisitions and corporate & financial communications
- **That over 40% of Incepta's equity is owned by over 40% of its employees** demonstrating its entrepreneurial philosophy of extensive share ownership
- **That Incepta's exceptional growth, success and potential** reflect the expertise and commitment of its staff

Public relations can be the most powerful of communications techniques. It influences fundamentally how core audiences view a business, its strategy, management, prospects and services. In consequence, it influences not just an organisation's image, positioning and cost of capital, but also the territory core audiences see as appropriate for its growth, both organically and by strategic moves.

The authority and visibility of media and analyst comment interact and provide a multiplier to communications effectiveness. Particularly as part of a co-ordinated communications strategy, public relations can be formidable.

Public Relations

Our clients include:

Associated British Foods
Financial communications

AT Kearney
Corporate, product and service public relations

Atlantic Telecom
Financial and corporate public relations

Bank of Bermuda
Corporate and business-to-business public relations

BASF
Public relations

The Boots Company
Financial and corporate communications

CMG
Financial, corporate and business-to-business public relations

Credit Suisse Asset Management
Corporate public relations

Deutsche Telekom
Financial communications, investor relations and shareholder intelligence

Druid
Corporate and business-to-business public relations

EDGAR Online
Investor relations

Energis
Corporate and financial communications

Erste Bank
Financial communications and investor relations

Fletcher Challenge
Investor relations

Freemove
Financial communications

Gambro
Investor relations

gameplay.com
Financial communications

Granada
Financial and corporate public relations and public affairs

Integralls Network Systems
Corporate public relations

Investor
Investor relations

Legal & General
Financial and corporate communications

Lloyds TSB
Strategic public affairs advice

Microstrategy
Corporate and business-to-business public relations

Morse Holdings
Corporate and business-to-business public relations

The Nasdaq Stock Market
Media relations

National Grid Group
Financial and corporate communications

Olivetti
Transaction support

Orix
Investor relations, media relations and shareholder intelligence

Pace Micro Technology
Financial public relations

Pernod Ricard
Media and analyst relations

Punch Taverns
Financial communications and public affairs

Raffles Holdings
IPO investor relations

Schroder Investment Management
Corporate public relations

Scottish Widows
Demutualisation and merger campaign

SGL
Business-to-business public relations

Skandia
Investor relations and shareholder intelligence

Société Générale
Media relations

Telewest Communications
Financial and corporate communications

Toyota Europe
Strategic public affairs advice

Wit Capital Group
Investor relations, public relations and shareholder intelligence

World Pay
Financial and corporate communications

Zhejiang Expressway
Corporate and financial public relations

Worldwide rush for Telekom issue

By Tony Barber in Frankfurt

Deutsche Telekom yesterday
set a price of €39.50 for almost

internet services and mobile
telephony. "I will name no
names today," he said.

Deutsche Telekom is one of

Bis 15. Juni zur Bank!

Deutsche T...

German Investors Are Flocking To Infineon IPO

Allgreen IPO
28 times
subscribed

**Punch lands a blow
that Allied cannot duck**

Freeserve's new investment dawn

You'll find more on...



Citigate Dewe Rogerson
Citigate Sard Verbinen
Citigate Technology
Citigate Public Affairs

Public relations hinges on the personal relationships between client and adviser, the commitment agencies give to their clients, the quality of strategic advice they provide and the depth of their media and other connections.

This traditional stock-in-trade, however, has to be coupled to first class systems and databases, the ability to execute internationally, if not globally, and the planned management of teams of professionals working across different fields, in conjunction with, and complementing, clients' internal resources.

These qualities are reflected in the range of our work, the results achieved and our consequential growth.

Raising Capital

Citigate Dewe Rogerson handled more than 60 share offers last year, in the process building a leading position in acting for dot.coms, high technology and telecom companies.

Deutsche Telekom

Deutsche Telekom's second share offer took place against the backdrop of a congested share offer calendar, decreasing German retail investor interest in share offer participation, intense competition in the company's domestic market and a share price close to all time highs. The communications programme designed by Citigate Dewe Rogerson, including advertising by Citigate SEA, involved the first ever pan-European retail offer, taking advantage of the introduction of the euro and offering shares on equal terms to retail investors across ten countries in addition to Germany. The result was substantial over-subscription; more than 1 million German retail investors; over 600,000 retail investors from outside Germany supplying 30% of retail demand; and proof of one of the most important recent innovations in European equity issuance.

Allgreen Properties

In April 1999, we launched the IPO of Allgreen Properties, Singapore's second largest residential property developer. It was launched in bearish market conditions with a property market at historic lows and investor aversion to exposure in the property sector. The result was an offer price above the indicative price range and a trading debut with a 68% share price premium. This IPO won Citigate Dewe Rogerson i.MAGE its fourth consecutive PRISM Award.

Tracker Fund of Hong Kong

In Hong Kong, as part of the government's share disposal programme, the Tracker Fund of Hong Kong was floated as an index tracking fund. With work co-ordinated between London and Hong Kong, Citigate Dewe Rogerson managed the communications and saw the value of the offer up-sized from HK\$10 billion to over HK\$33 billion, 70% of which was distributed to retail investors in Hong Kong's first mass marketed retail offer.

Freereserve

In July last year, we handled the communications for Freereserve's IPO. This was ground-breaking, establishing the value in Dixon's subsidiary, focusing investors on the sector and opening the way for a flow of capital raisings for dot.coms and high tech companies in the UK and across continental Europe. Among the dot.com and technology flotations we handled last year were Terra Networks and Amadeus Global Distribution in Spain, gameplay.com, freecom.net and lastminute.com in the UK, UPC in the Netherlands, Wavecom in France and T-Online, MSH and Mania in Germany.

Infineon Technologies

Siemens AG recently de-merged Infineon Technologies AG, one of the world's largest semiconductor companies, through an IPO. It was the largest high tech IPO to date worldwide and the second largest IPO ever in Germany. In Germany it attracted over 5 million retail subscriptions, more than twice the previous record for a German retail offer and the highest number of orders in a single company share offer anywhere in the world.

Mergers and Acquisitions

Both in hostile and agreed mergers and acquisitions, Citigate Dewe Rogerson holds a leading position in the UK and across continental Europe.

Punch Taverns

Hostile merger and acquisition activity can seriously damage or promote a company's reputation. Nowhere was this clearer than in Punch Taverns' successful £2.7 billion cash offer for Allied Domecq's retail division. It was a transaction initially thought impossible by everyone other than those involved. It was enabled not least by a sustained high profile public relations, public affairs and advertising campaign which de-stabilised Allied's prior agreed deal with Whitbread, won all the arguments day-by-day in the media and placed both Allied and Whitbread under continuing critical inspection. It helped create a brand for Punch, drove the key messages and secured a memorable victory.

Olivetti

Olivetti's €60.4 billion tender offer for Telecom Italia was a milestone transaction in Italy and continental Europe. Citigate Dewe Rogerson helped to design and implement domestic and international communications strategies aimed at persuading retail and institutional shareholders to support the Olivetti bid. The overall programme incorporated media relations, advertising, market research, analyst relations and crisis communications, all managed both domestically and internationally.

Legal & General

Legal & General agreed to an offer by National Westminster Group, which would have created a leader in bancassurance with a distinctive scale, strategy and potential for revenue growth. The merger was thwarted by intervention by Bank of Scotland and then by Royal Bank of Scotland launching competing bids for NatWest. Throughout this period the public relations for Legal & General enhanced its image and positioning and ensured that both the company and its management could withdraw and continue building a strong, independent future.

Energis

Energis, another client since before its flotation, has built its position as a leading alternative telecoms operator in the business market, through strong organic growth and a series of strategic acquisitions and partnership alliances. During last year, public relations has gained recognition of Energis' strategy as a European, not just a UK player.

Managing Continued Communications Programmes

Granada Group plc

Citigate Dewe Rogerson continues to work closely with Granada to maintain its position as the leading media and hospitality group and to demonstrate the active management's focus on shareholder value. Major developments during the year included Granada's intervention in the merger between United News & Media and Carlton Communications, the proposed merger of Granada's rental business with Radio Rentals to create Box Clever as a major high street force in the market for televisions and video recorders, and the disposal of the remaining stake in BSkyB at a substantial profit. We also advise other parts of the Group, including Granada Media Group, Forte Hotels and Granada Food Services. Together with Citigate Public Affairs, we also devised and implemented a long-term strategy to support Granada Road Services in its campaign to improve understanding of the economics and future potential of motorway service areas.

CMG

CMG is positioning itself as a thought leader in the European business marketplace, understanding the challenges faced by boards of directors, with the expertise, insight and know-how to help solve them. Part of Citigate Technology's programme has been the eCom index, a regular survey of decision-makers from around 250 European companies. It has gained widespread business and broadcast media coverage across Europe.

Bank of Bermuda

Over the past two years, Citigate Dewe Rogerson has co-ordinated public relations, advertising by Citigate Albert Frank and design by Citigate Lloyd Northover to support Bank of Bermuda in developing an international communications programme to promote the bank's worldwide capabilities. Media relations has played a major role in gaining even greater recognition for the bank's global fund services and the launch of its revolutionary approach to asset management.

Erste Bank AG

Since advising Erste Bank AG on its IPO in 1997, one of the largest IPOs to date in Austria, Citigate Dewe Rogerson has provided Austria's second largest bank with combined international investor relations and media relations counsel. In the 1999 Austrian Stock Exchange IR awards Erste won the award for quality of information delivered to international financial analysts.

The Nasdaq Stock Market

Citigate Dewe Rogerson was appointed in 1997 to raise awareness of the Nasdaq Stock Market in the UK. Echo, the independent media analyst, has tracked the progress of Nasdaq's programme which has produced a transformation in the quality and quantity of coverage. The success has led to a widening of Citigate Dewe Rogerson's remit, for example the announcement of Nasdaq Japan and the launch of Nasdaq Europe.

Wit Capital Group

In the US, Citigate Dewe Rogerson advised Wit Capital Group on its IPO in June 1999 and has since provided on-going investor relations, public relations and shareholder identification services. We also advised Wit during its merger with SoundView. Citigate Albert Frank has developed Wit's product advertising.

Citigate Dewe Rogerson
 Citigate Sard Verbinen
 Citigate Technology
 Citigate Public Affairs

Telewest takes broadband lead

By Ashling O'Connor

Telewest Communications, the cable operator merging with Flextech, the digital content provider, yesterday took the lead in the broadband market with the

broadband model," he said. "This puts us out in the lead."

National Grid plugs into US power market

L&G shows its strength and stays flexible

If Legal & General had today unveiled a pedestrian set of figures it would have had a built-in excuse.

margins will stay relatively stable.

Prosser has been at the helm throughout L&G's decade of prod-

rate at which Mannesmann is growing, but hinges much more on whether as an investor you can

Energis is buzzing

ENERGIS WAS burning up the wires yesterday with a triple whammy of corporate announcements. First it

Nasdaq Aims

To Export

A Hot Market

Around Globe

CMG
 e.COM index

GRANADA

GRANADA GROUP PLC

Olivetti Prevails in Hostile Bid For Far Bigger Telecom Italia

Advertising allows a company or business to control the tone of a particular message, the environment in which it is received and the audience to whom it is intended. Creativity, or the way in which the message is packaged and delivered, determines its success and the medium in which the message is placed lends it credibility and enhances its effectiveness. Good advertising complements a well-designed communications strategy and adds value to a brand.

Advertising

Our clients include:

AIB Govett Asset Management
Product advertising

The Asian Wall Street Journal
Advertising and design work for circulation and adsales, ranging from television to direct mail

AXA Investment Managers
Corporate and product advertising

Bank of America
Print and broadcast advertising
(Prime Brokerage division)

Britannic Asset Management
Corporate and product advertising

Chase de Vere
Product advertising

Chase H&Q
Corporate identity, global advertising and collateral design

Cinven
Media planning and buying

Cornhill Direct
Direct advertising

Crest
Corporate advertising

De Beers
Corporate and financial advertising

Deutsche Bank
International advertising campaign

Deutsche Guggenheim Berlin
Corporate advertising and design

Deutsche Telekom
Corporate and product advertising

Dresdner RCM Global Investors
Retail and trade advertising

EDGAR Online
Corporate and product advertising

Emery Worldwide
Global advertising and collateral design

Etam
Retail advertising

GE Financial Assurance
Retail product advertising

Hill Samuel Asset Management
Financial services advertising

Hong Kong Trade Development Corporation
International corporate advertising and promotional video

Investec Guinness Flight
Product and service advertising

Jones Bootmaker
Brand advertising

JP Morgan
Transactional and recruitment advertising

KGI Securities
Television and print corporate advertising

Macau Government Tourist Office
Image and event advertising

Opel
Corporate advertising

PricewaterhouseCoopers
Corporate finance advertising

Prudential
Brand image and communications

Punch Taverns
Bid advertising

The Royal British Legion
Charity advertising

The St. Paul International Insurance
Corporate and product advertising

Schroder Unit Trusts
Product advertising and direct marketing

Scottish Widows
Brand development and corporate advertising

Snappy Snaps
Brand advertising

Société Générale
Corporate and financial advertising

Sopexa
Product image advertising

South Bank University
Corporate and recruitment advertising

TAP Air Portugal
Brand and product advertising

Templeton Franklin Investment Services
Corporate and product advertising

Threadneedle Investments
Corporate and product advertising

Wit Capital Group
Product advertising

Citigate Albert Frank
Citigate SEA
Citigate Window Creative

Threadneedle Investments

We created a fresh, confident and challenging brand image for Threadneedle Investments that is carried through from posters to press to literature to new media, pulling together the different strands of the company under one banner.

Jones Bootmaker

Our campaigns for Jones have continued to upgrade its image awareness. The company's sales have increased significantly and the brand is now seen as very fashionable with high consumer loyalty.

Punch Taverns

Advertising was a powerful element in the co-ordinated campaign that supported Punch's successful offer for Allied Domecq's retail division. It built a straight-talking brand and personality for Punch and, in the end, by a 98.6% majority, Allied shareholders did indeed accept the 'Punch Line' and rejected the Whitbread offer.

Scottish Widows

In 1987 we created the Scottish Widow, arguably the most powerful brand icon in the financial services industry. Today we are not only the brand guardians but continue to create television, press and poster advertising as well as developing the guidelines for all usage of the 'Brand in Print'.

Schroder Investment Management

Our Hong Kong agency has been providing full communications services for Schroder Investment Management since 1996.

This year the Hong Kong government will introduce a Mandatory Provident Fund (MPF) and Schroders is one of the 22 official MPF providers. The agency produced advertising literature and a video to promote the Schroders MPF product. Citigate Dewe Rogerson dovetailed with an aggressive media relations campaign and market research.

City Financial Communications

'Investment Week' is the leading title of this expanding publishing group. A trade publication aimed at investment IFAs, it is renowned for its incisive journalistic style. Featured opposite is one advertisement from an award winning campaign emphasising its qualities through words such as 'sharp', 'incisive' and 'illuminating'.

Société Générale

Now in its second year, the corporate image campaign that our New York agency created for Société Générale (SG) was recognised as the best corporate image print campaign in the US by the Financial Communications Society in 1999. The image campaign continues to run, complemented by product and industry-targeted print advertising, including the world's first billboard featuring M&A tombstones.

Opel

Citigate Demuth, our agency in Frankfurt, created a corporate advertising campaign for Europe's most popular car brand. The campaign aims to create awareness of Opel's trail-blazing role and the company's innovative approaches in engineering. The advertisements ran in opinion-leading German newspapers and pan-European magazines.

CNF

CNF is the Fortune 500 corporate parent of Emery Worldwide, Con-Way Transportation and Menlo Logistics. Our agency in San Francisco manages all of CNF's brand communications, including their corporate identity, broadcast and print advertising, collateral materials and website design. We have repositioned CNF as the premier provider of supply chain management solutions.



Creative face-to-face communication can bring brands to life across the globe. Park Avenue believe in communication through experience. Our creative and innovative communication environments always touch the hearts and minds of our audiences.

In an ever competitive marketplace, it is increasingly important for brands to create strong relationships with consumers. Through sales promotion and direct marketing TEAM EGM help create meaningful reasons for consumers to initially trial and subsequently become loyal to a brand.

Marketing Services

Chase Manhattan

Press conferences

Coca-Cola Great Britain/Coca-Cola Enterprises

Consumer and trade activity for 'Coca-Cola' and 'diet Coke'

Deutsche Bank/Bankers Trust

Global communication of Bankers Trust merger

FIFA

Worldwide announcement of World Cup venues

First Leisure

Database management consultancy

Flextech TV

Consumer promotions

The Football Association

Development of corporate manual and brand communications guidelines

Funds Hub

Product launch

General Motors Europe

International motor show communications

HFC Bank

Brand development, direct marketing and point-of-sale

Inflexion

Presentation consultancy

Interclubnet

Press conferences

Investia

Press conferences

Littlewoods Leisure

Face-to-face events

Marks & Spencer

Internal communications

Millennium Dome

Zone design for the New Millennium Experience Company

Oneworld

(The American Airlines, British Airways, Qantas, Cathay Pacific and Canadian Airlines Alliance)
International announcement and launch

Post Office Counters

Promotions and product literature

Telewest Communications

Through-the-line support of product launches

Wall's Ice Cream

The touring 'Sensestation' experience

Our clients include:

adidas

Global marketing events

Arjo Wiggins Carbonless Papers

Pan European promotional and product literature

Arjo Wiggins Fine Papers

Promotional and product literature

Asahi

Trade launch activity

Bacardi-Martini

On/off trade consumer promotions

BBC

Consumer education programmes

Bestfoods

Consumer promotions

bigsave.com

e-commerce site launch activity and consumer acquisition programme

BMW

Global product launches

British Airways

Global face-to-face communications

Park Avenue Yellow Line TEAM LGM

HFC Bank

TEAM LGM has worked in partnership with HFC Bank for over 3 years and during that time has continually expanded the depth and breadth of its contribution. In addition to designing and managing quarterly direct mail programmes and contact strategies, the agency has recently re-branded the Bank's Personal Banking division and supported its retail finance business with a range of promotional materials.

British Airways London Eye

Park Avenue were given the challenge of gaining maximum publicity for the launch of the British Airways London Eye on New Year's Eve. The concept was to 'kidnap' the evening by making the London Eye the focal point for visitors to London and for television viewers. A 'switch-on moment' was created, with the Prime Minister, Tony Blair, firing a laser across the Thames, setting off a further sequence of lasers, lights and fireworks.

Co-operation with the major television companies ensured that the event was carried live to millions of viewers across the country and the coverage became the London highlight used by countless television companies around the world. This cost-effective launch has established the British Airways London Eye as the new icon for London in the eyes of many millions of people around the world.

Telewest Communications

TEAM LGM began working with Telewest Communications in October 1999. Since that time the agency has developed above and below the line communications materials for two key service offerings – 321 FREE and SurfUnlimited. The agency has also developed all communications material for the launch of their High Speed Internet Service, 'blueyonder', and supported the launch of Telewest Active Digital with regional press activity and other printed collateral.

Millennium Dome Home Planet Zone

Working with the New Millennium Experience Company and their sponsors, British Airways and BAA, Park Avenue created the Home Planet Zone within the Greenwich Millennium Dome. The solution was conceived as a 'ride' and features a journey to Earth, which encourages visitors to take a fresh look at the Earth, as though seeing it through the eyes of a first-time visitor. Special effects, animation, film, music composition, architecture and design are combined to make this exciting and educational ride one of the most enjoyable zones in the Dome.

'Coca-Cola'

The world's No. 1 soft drinks brand, 'Coca-Cola', has been working with TEAM LGM in the UK for the last three years. Projects have included major on-pack promotions, comprehensive point-of-sale support programmes and various trading channel promotional activities, including the design of all iconography in support of 'Coca-Cola's 1999 Christmas campaign. Following the development of a central communication template, TEAM LGM were appointed to lead the development and activation of point-of-sale throughout every major trading channel.

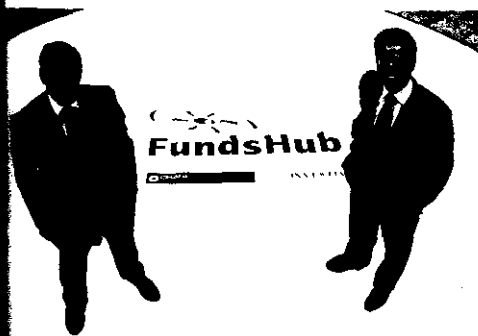
Funds Hub

Yellow Line launched Funds Hub, a joint venture between Investia and Chase Manhattan Bank, at a press conference in the City. Working alongside a Citigate Dewe Rogerson public relations team and a broadcast consultancy team, we created an event that launched Funds Hub to the financial and trade press. We also created a photo opportunity that was syndicated to the international press.

Deutsche Bank/Bankers Trust

Park Avenue were asked to provide a motivational event for staff and to generate worldwide press coverage to mark the merger of Deutsche Bank and Bankers Trust. The solution involved global satellite up-links from Deutsche Bank in Frankfurt and Bankers Trust in New York, on the day the bank 'went global'.

A visual style was developed for the event which was applied to the 180m high Deutsche Bank Towers in Frankfurt, as a way of building external awareness of the event. The link-up and broadcast culminated in a speech by the head of Deutsche Bank, from the Bankers Trust offices in New York, seen live by employees in more than 1,700 locations, with 80,000 staff sharing the vision of the 'Global Bank'. The event also provided a compelling story for the world's press.



A brand lives and breathes. It must be nurtured if it is to grow. It must be exercised if it is to stay strong. It must be revitalised when it gets tired and reborn when it grows old. At every stage of a brand's life, we provide the strategic vision and creative skill to help it thrive.

Design & Branding

Our clients include:

Alliance and Leicester
Annual report

AT&T
Retail identity, packaging and collateral design

AXA
Corporate publishing

Bank of Bermuda
Identity, literature, website and environment design

BNFL
Brand development and intranet design

BOC
Corporate publishing

Boehringer Ingelheim
Corporate identity

British Red Cross
Corporate publishing

C&N Touristic
Corporate identity

CGU
Corporate literature

Christian Salvesen
Corporate identity

De La Rue
Corporate publishing

Department for Education and Employment
Communications consultancy

Direct Line Insurance
Corporate publishing

Durban Metrorail
Corporate identity, design and advertising

Esselte
Annual report

Exxon/Esso
New station design and branding

Freemove
Annual report and corporate website

Getty Center
Identity implementation and signage programme

Group 4
Corporate publishing

Hong Kong Jockey Club
Signage and wayfinding

ICC Durban
Corporate identity, design and advertising

Invesco
Identity implementation

Johnson Matthey
Corporate literature

Land Transport Authority Singapore
Identity and signage programme

London Transport
Corporate publishing

Lucent Technologies
Packaging design

McDonald's
Corporate publishing

Morgan Stanley Dean Witter Online
Branding and identity programme

MTR Corporation
Corporate and station signage programme

National Savings
Brand development programme

Nestlé
Corporate publishing

Pacific Life
Corporate identity

Queen's University Belfast
Corporate identity

Railtrack
Corporate identity review and station branding

Securicor
Employee magazine and websites

SmithKline Beecham
Signage and wayfinding

Vauxhall Motors
Corporate publishing

Viterra
Corporate identity

Xcel Energy
Brand development

Xstrata
Naming and identity

Citigate Lloyd Northover Citigate Bass Yager Citigate Publishing

Exxon/Esso

Our latest project for Exxon/Esso has been the development of a new concept and brand for an unmanned station. Citigate Bass Yager provided research, name development, brand design, architectural design and worldwide market testing. Our objective over the years has always been to continually refresh the brand, to keep it relevant and alive and to help Exxon/Esso to maintain its leadership position in a highly competitive sector.

McDonald's

McDonald's considers good internal communication an important part of keeping employees well informed and motivated. In the past year they asked Citigate Publishing to increase both the frequency and pagination of their in-house magazine, 'McNews', which recently won two prestigious industry awards for its design and editorial.

Morgan Stanley Dean Witter Online

When our client, Discover Brokerage Direct, was to be renamed and repositioned as the online brokerage firm of its parent, Morgan Stanley Dean Witter, Citigate was brought in to aid in the re-branding and launch of the new company. Our work has included logo and identity design, development of customer communications, branch materials, new product support and trade show booth design.

New Africa Investments Limited (NAIL)

New Africa Investments Limited was founded as a conglomerate-type holding company, financed primarily through the issue of low-voting stock to create a black-controlled listed company with assets ranging from interests in financial services to media. Citigate South Africa is proud to have been selected as NAIL's lead consultant on all aspects of its communications.

MTR Corporation

Citigate Lloyd Northover has continued the implementation of its branding and signage work for Hong Kong's urban rail network. Our work has included the development of comprehensive guidelines for corporate, station and information signage.

Viterra

Viterra, part of Germany's E.ON group, is a new kind of energy and real estate services business, formed by a merger of complementary businesses. Citigate Lloyd Northover, in conjunction with Citigate Demuth, created a name, visual identity and launch communications programme. The identity expresses the idea of dialogue between company and customer.

Millennium Commission

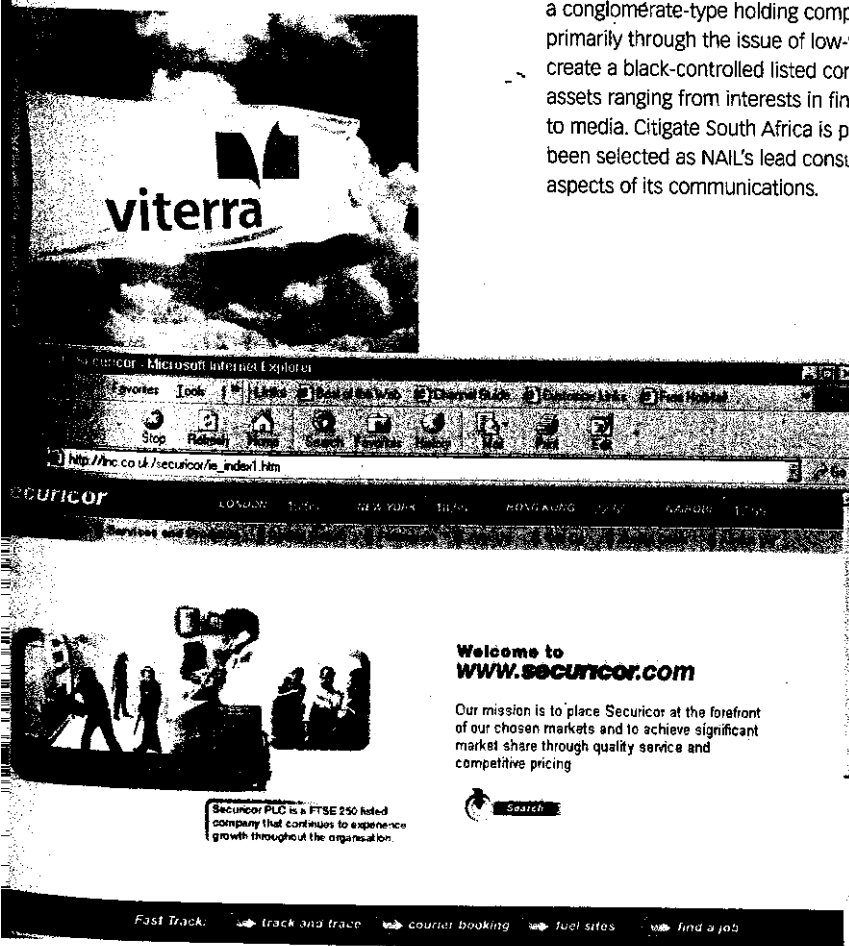
Citigate Lloyd Northover's continuing work for the Millennium Commission has involved a wide range of communications and promotional projects, including a suite of printed guides to Millennium projects and attractions, websites for the Commission and its Awards schemes and the annual report. In early 2000 the Millennium Voyager, a travelling exhibition housing interactive displays, was relaunched and will visit all regions of the UK during Millennium year.

De La Rue

When De La Rue wanted to communicate with its worldwide customer base about the depth and range of their products and services, they appointed Citigate Publishing to write and design a magazine which would reflect the success and innovation of their business. The initial success of 'Exchange' encouraged our client to ask us to produce follow-up editions in French, Spanish and German as well as English.

Securicor

Following our review of Securicor's global brand strategy and our extensive design and development work, a new Securicor group website was launched. Citigate Lloyd Northover created the central corporate site and 43 microsites within its architecture. A key objective was to provide an interactive platform for business and marketing communications and a service that would be valued by users, as a means of building brand equity on-line for Securicor.



viterra

Microsoft Internet Explorer

http://www.securicor.com

**Welcome to
www.securicor.com**

Our mission is to place Securicor at the forefront of our chosen markets and to achieve significant market share through quality service and competitive pricing.

Securicor PLC is a FTSE 250 listed company that continues to experience growth throughout the organisation.

Search

Fast Track: track and trace courier booking fuel sites find a job

Financial review



Richard Nichols
Group Finance Director

Record results and prudent financial management have created a platform for long term growth

Overview

The Group has witnessed another strong year in terms of its financial performance. Turnover, gross revenue (gross profit), operating margins and earnings all rose significantly as the Group enjoyed both organic growth and a successful first full year of integration for Dewe Rogerson. The exceptional sale of the Group's Lopex investment significantly increased profit attributable to shareholders and contributed towards the Group's net funds position at the year end. Strict management of working capital resulted in strong positive operating cash flows.

For the Group as a whole, turnover grew by 52% to £173.4 million and gross revenue by 54% to £77.2 million. Profit before tax and exceptional items increased to £14.0 million, a rise of 82%, at an increased overall operating margin of 18.4% compared with 16.5% last year. A net exceptional gain of £9.8 million included profit of £11.0 million arising from the sale of the Group's 27% strategic investment in Lopex plc. Profit attributable to Group shareholders totalled £16.9 million compared with £4.3 million last year. Cash increased by £25.7 million during the year resulting in net funds of £10.4 million at the year end.

Operating results

Turnover, gross revenue (gross profit) and operating profit before exceptional items have increased across each of the Group's four divisions. Geographical performance and relative performance between divisions reflects favourably on those areas and disciplines where the Group is furthest advanced in its strategy towards building a core presence and critical mass. Where our programme of investment is still at an early stage, results and margins are affected by the cost of the Group's substantial investment in people and technology to deliver future growth.

The strong trading performance was most pronounced in the public relations division, which showed an 88% rise in turnover to £58.9 million and generated gross revenue (gross profit) of £41.0 million, up 77%. The strength of the Citigate Dewe Rogerson brand in the UK and Europe coupled with the maturing of the Group's other overseas public relations operations brought about a significant increase in the operating margin from 13% to 17%. This contributed to the division's 136% increase in operating profit before exceptional items to £6.9 million. Over half the Group's gross revenue (gross profit) and operating profit before exceptional items for the year was contributed by the public relations division, confirming its current status as the Group's major operating division.

Advertising turnover increased by 47% to £81.3 million. Gross revenue (gross profit) for our advertising division increased by 39% to £18.1 million, generating operating profit before exceptional items of £3.4 million, up 61%. These figures reflect a strong trading performance across the division as well as a first full year contribution from our German agency, Alexander Demuth (now trading as Citigate Demuth).

Turnover by activity

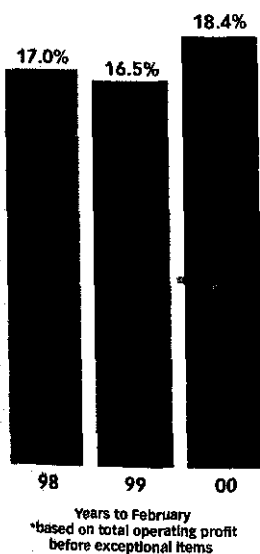
- Public Relations 32%
- Advertising 44%
- Marketing Services 13%
- Design & Branding 11%

Gross revenue (gross profit) by activity

- Public Relations 53%
- Advertising 23%
- Marketing Services 12%
- Design & Branding 12%

Group operating profit by activity*

- Public Relations 51%
 - Advertising 25%
 - Marketing Services 18%
 - Design & Branding 6%
- *before exceptional items

Operating margin* (%)

The marketing services division, this year including Team Marketing Communications for the whole twelve months, achieved a 24% increase in gross revenue (gross profit) to £9.6 million. With a large proportion of our marketing services work being project-based, it was no surprise that this year's operating margin of 26% represented a return towards more sustainable levels compared with the 29% margin achieved last year. Operating profit before exceptional items rose 8% to £2.5 million.

Despite a 34% increase in gross revenue (gross profit) to £9.1 million, the Group's smallest division, design & branding, delivered a modest 6% rise in operating profit before exceptional items to £0.9 million. An increase in the proportion of relatively low margin print and artwork assignments resulted in a lower overall operating margin of 9% for the division (1999 – 12%).

The Group's share of profits before tax from associates amounted to £0.6 million, of which £0.5 million came from the German associate, SEA Dewe Rogerson. This company became a wholly-owned subsidiary of the Group on 29 February 2000.

Cash flow

In the year ended 29 February 2000, the Group generated a net £25.7 million in cash. Operating cash flows continued to be strong with the Group's net cash inflow from operations for the year totalling £12.6 million. The sale of the Group's investment in Lopex plc generated net cash inflow of £16.6 million. Cash paid in the year as consideration for companies and businesses purchased in the current and previous years amounted to £3.5 million.

Continued investment in new technology and office refurbishment as part of the ongoing integration of acquired businesses were the principal components of capital expenditure in the year amounting to £3.5 million. Tax payments during the year totalling £3.7 million included prior year corporation tax payments of £1.8 million and current year corporation tax paid of £1.9 million under the quarterly instalment arrangements introduced by the UK Inland Revenue this year.

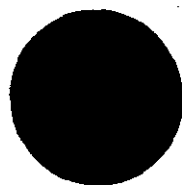
Net positive cash flows during the year together with £6.2 million in cash gained as a result of acquisitions, principally SEA, eliminated opening net debt of £13.5 million and left the Group with net funds of £10.4 million as at 29 February 2000.

Subsequent to the year end, the net funds have been reduced significantly given the physical payment of amounts due in relation to the acquisition of SEA and a number of other acquisitions made.

Goodwill

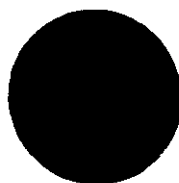
In accordance with Financial Reporting Standard 10, 'Goodwill and intangible assets', goodwill arising on acquisitions made after 28 February 1998 is capitalised as an intangible asset in the balance sheet. The board is currently of the opinion that the Group's goodwill has indefinite economic life given the durability of the Group's brand names, their ability to sustain long term profitability, their proven ability to maintain market leadership and the Group's commitment to develop and enhance their value across its network of offices worldwide. At 29 February 2000, capitalised goodwill amounted to £74.7 million, on which no amortisation had been charged.

In accordance with the terms of FRS 10 and FRS 11, 'Impairment of fixed assets and goodwill', the carrying values of intangible assets are reviewed annually for impairment on the basis stipulated in FRS 11. The individual circumstances of each acquisition are assessed to determine the appropriate treatment of any related goodwill.



Gross revenue (gross profit) by region

- UK & continental Europe 73%
- Rest of the world 27%



Group operating profit by region*

- UK & continental Europe 98%
 - Rest of the world 2%
- *before exceptional items

Acquisitions

During the year, the Group completed the following acquisitions:

SEA (Germany)
 I.MAGE (Singapore)
 The Public Policy Unit (UK)
 Reader Pollock (South Africa)
 Rainmaker (South Africa)
 Power IR (US)
 Kissel-Blake (US)
 A division of CIC (US)
 Certain UK minority interests

Full details of all acquisitions are provided in note 27 to the financial statements.

The total cost of these acquisitions was some £48.7 million, a proportion of which is contingent on future financial performance. For most acquisitions, deferred consideration is payable in a mixture of cash and shares. Cash deferred consideration amounting to £11.7 million and shares to be issued valued at £22.5 million have been provided in the balance sheet at 29 February 2000. Given the timing of the acquisition of SEA, the total estimated value of shares to be issued at 29 February 2000 included initial share consideration of £14.2 million in respect of shares which were issued at the beginning of March to the vendors of SEA.

Since the year end the Group has acquired Sard Verbinnen (US), Ballard & King (South Africa) and MARCHCom, CAROL and SMARTS (all UK).

Treasury

Group Treasury is responsible for managing the key financial risks of the Group, including funding, interest rate and foreign exchange risk. Regular reports on all treasury activities are provided to senior management.

Funding

The Group finances itself through a combination of equity and medium term debt. The Group satisfied its liquidity requirements and funded acquisitions during the year under review from the Lopex sale proceeds, strong positive operating cash flows and continued use of medium term bank facilities with Lloyds TSB Bank plc. The latter include a five year term loan and a £10 million multi-currency revolving loan facility, of which £7.5 million and £9.0 million respectively were outstanding as at 29 February 2000.

Subsequent to the year end, the Group has received a further £19.0 million by way of a placing of 16.55 million shares at a price of 115 pence.

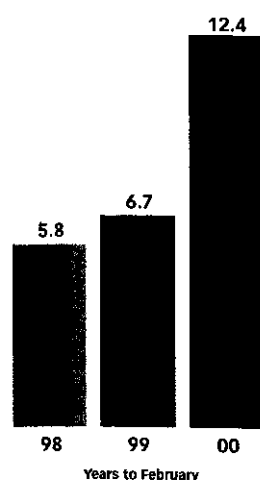
Interest rate risk

For most of the year under review, the Group held significant cash balances as a result of the net £16.6 million proceeds received in July 1999 from the sale of the Lopex investment. The Group has sought to maximise its investment returns using pooling arrangements in each region that enable available cash to be aggregated daily and placed in short term money market deposits at the highest available rates of interest.

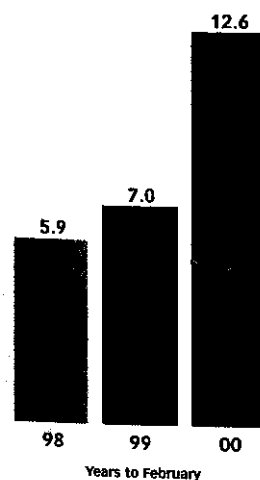
The Group's principal borrowings are held at floating rates. To date, the Group has decided not to use any financial instruments to fix the level of interest rates payable on borrowings.

Regular reports on cash balances, loans and borrowings are provided to senior management by the Group's treasury function, whose activities are monitored within clearly defined parameters and subject to stringent authority levels.

Group operating profit (£m)



Cash flow from operating activities (£m)

*Foreign exchange risk*

- The Group faces foreign currency exposures on translation of the net assets and results of its overseas subsidiaries and on trading transactions undertaken in foreign currencies.

The Group seeks to mitigate the effect of its structural currency exposures by borrowing in the same currencies as the operating currencies of its main overseas operating units. The Group's balance sheet translation exposure is managed by partially matching foreign currency assets with foreign currency borrowings.

The Group does not hedge its results translation exposures as these are accounting rather than cash exposures. Foreign currency results are translated at average exchange rates to reduce the effect of any short term currency fluctuations.

The Group also has transactional currency exposures that may arise when revenues and expenses are principally denominated in currencies other than the operating currency of the operating unit involved in the transaction. The Group's policy is not to hedge against transactional currency exposures, as they are not material.

Tax

An overall tax rate of 29% (1999 – 30%) has been charged on profits before tax of £23.8 million for the year ended 29 February 2000. The overall tax rate reflects the current geographical mix of the Group's profits which predominantly originate from the UK and, to a lesser extent, the continued utilisation of brought forward tax losses in certain subsidiaries.

Attributable profits and dividends

Profit for the year attributable to Group shareholders was £16.9 million. Basic earnings per share rose from 1.73 pence to 5.12 pence, reflecting this year's net exceptional gain and the exceptional costs in 1999. The board continues to focus on diluted earnings per share before exceptional items as its core measure of shareholder value given the influence of deferred consideration shares in acquisitions made by the Group. This increased by 40% from 2.06 pence to 2.88 pence for the current year.

A final dividend of 0.50 pence per share, up 19%, is recommended and is covered over eight times by profits.

Summary

The Group has made further significant progress during the year and remains in a strong position financially. The Group's strong cash generation and low level of gearing currently provides sufficient flexibility to manage the ongoing acquisition programme.

Overall, we remain committed to our prudent approach to the financial management of the Group as we continue to build long term shareholder value.

Richard Nichols

Richard Nichols
Group Finance Director
2 May 2000

Our committed management team has delivered consistent results and generated excellent shareholder value



Board of directors

David Wright (age 55)**Chief Executive (nc)**

David Wright was appointed chief executive on 3 March 1997, following the acquisition of Citigate Communications Group Limited ("Cigate"). He was a founder director and shareholder of Citigate in 1988. Prior to this he was managing director of Streets Financial Strategy Limited, a financial public relations consultancy.

Kevin Steeds (age 41)**Executive Director**

Kevin Steeds was appointed to the board on 3 March 1997, following the acquisition of Citigate. He qualified as a chartered accountant with Arthur Young. In July 1985, he joined Addison Consultancy PLC as financial controller of their public relations, design and advertising business. He was also a founder director and shareholder of Citigate. He currently holds executive responsibility for the UK public relations and design & branding divisions.

Charles Good (age 53)**Non-executive Director (ac, rc)**

Charles Good is managing director of Ely Fund Managers Limited, non-executive chairman of Auto Indemnity Plc and a non-executive director of English Trust Group PLC and Blooms of Bressington. He has been a non-executive director of Citigate since 1988 and joined the Incepta Group board on 3 March 1997. He is a qualified chartered accountant.

Bob Morton (age 58)**Non-executive chairman (ac, rc, nc)**

Bob Morton is a chartered accountant and chairman of Vislink plc, Maclellan Group PLC, Planit Holdings PLC, Baron Corporation PLC, Harrier Group plc and freecom.net plc. He was appointed non-executive chairman of Incepta on 4 November 1992 and is the senior independent non-executive of the Company.

Richard Nichols (age 34)**Group Finance Director**

Richard Nichols was appointed to the board on 1 September 1998. He joined Citigate in 1996 from British Gas plc. Prior to this, after graduation from Cambridge University, he had joined Price Waterhouse where he qualified as a chartered accountant. He is responsible for the Group's worldwide finance and head office functions and holds executive responsibility for the marketing services division. He is also company secretary.

Anthony Carlisle (age 53)**Executive Director**

Anthony Carlisle joined the board on 19 October 1998 following the acquisition of Dewe Rogerson Group. He joined Dewe Rogerson in 1970 and was integral in building the Dewe Rogerson business and brand as Executive Chairman of Dewe Rogerson Limited. He is responsible for UK business development and client services, as well as retaining his responsibilities for, and close involvement with, major Citigate Dewe Rogerson clients.

Neil Mackay (age 60)**Non-executive Director (ac, rc, nc)**

Neil Mackay has been a director of Lazard Brothers & Co., Limited since 1979 and a non-executive director of Incepta since 8 June 1994.

(ac) member of audit committee

(rc) member of remuneration committee

(nc) member of nomination committee

Directors' report

for the year ended 29 February 2000

The directors of Incepta Group plc present their report together with the audited financial statements for the year ended 29 February 2000.

Principal activities

Incepta is an international marketing and communications group, its principal activities being public relations, advertising, marketing services and design & branding. Incepta Group plc itself is the ultimate holding company of the Group.

On 29 February 2000 the Group acquired the whole of the issued share capital of SEA Spiess Ermisch & Andere Werbeagentur GmbH, an advertising and corporate communications agency in Germany. Initial consideration was satisfied by the issue of 8.25 million new ordinary shares and payment of DM 35.4 million in cash. Further consideration up to a maximum of DM 46.2 million is payable in a mixture of cash and shares subject to future financial performance.

Subsequent to the balance sheet date, on 20 April, the Group acquired the whole of the issued share capital of Sard Verbinen, a financial public relations agency and mergers and acquisitions advisor in the US. A total of 31.76 million shares were issued in relation to the acquisition. Initial consideration was US\$58.0 million, comprising US\$29.0 million in cash, by means of a vendor placing of 15.88 million ordinary shares at 115 pence per share, and 15.88 million new ordinary shares. Further consideration up to a maximum of US\$92.0 million is payable in shares depending on future financial performance.

In addition, the Group has raised £19.0 million by way of a placing of 16.55 million shares at 115 pence per share.

Other developments, current trading and future prospects of the Group are discussed in detail in the Chairman's statement, the Chief Executive's review and the Financial review.

Results and dividends

The Group made a profit attributable to shareholders for the year of £16,913,000 (1999 – £4,323,000). The directors recommend a final dividend of 0.50 pence per ordinary share (1999 – 0.42 pence) to be paid on 17 July 2000 to shareholders on the register as at 12 May 2000.

Directors and their interests

The names of the directors at the date of this report, together with brief biographical details, are set out on page 35. All the directors held office throughout the year.

The interests of directors in the share capital of the Company and in share options are set out in the statement of directors' remuneration and interests on pages 69 to 71.

Directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss for that year. In preparing those financial statements, the directors confirm that: suitable accounting policies have been selected and applied consistently; reasonable and prudent judgements and estimates have been made; applicable accounting standards have been followed; and that it is appropriate to prepare the financial statements on a going concern basis.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Year 2000

The Group's Year 2000 compliance programme was completed on schedule prior to 31 December 1999. All of the Group's critical business systems were identified, assessed and, if necessary, replaced or enhanced. As a result of the high level of planning and detailed work involved in the programme, no significant problems were encountered by the Group's businesses with the millennium date change. The Group continues to monitor its critical systems for any Year 2000 issues which may yet emerge. The costs charged to the profit and loss account in respect of the Year 2000 programme were not material nor are any material costs expected to be incurred on this issue in the future.

Introduction of the euro

On 1 January 1999, 11 of the 15 countries of the European Union introduced the euro as their common currency, although for a further three year transition period the old national currencies continue in parallel. The Group operates through subsidiaries, associates and affiliates in many of these participating countries. The introduction of the euro will potentially have an impact in the UK, which is not yet participating in the common currency.

The Group has prepared for transition to the single currency within Europe and will continue to develop its strategy throughout this period. The Group will continue to maintain the capability to conduct business in both national and European currencies for as long as is necessary. The Group does not currently expect to report its results in euros until after the introduction of the common currency in the UK.

Charitable and political donations

The Group made charitable donations during the year amounting to £28,000 (1999 - £25,000). In addition, the Group's public affairs subsidiary, Citigate Public Affairs, attends party conferences, dinners and other events organised by or on behalf of the political parties for which they levy a charge.

Substantial shareholdings

As at 28 April 2000, the directors were aware of the following interests of 3 per cent. or more in the issued ordinary share capital of the Company and had not been notified, pursuant to the provisions of the Companies Act 1985, of any further such interests:

Shareholder	Percentage of issued share capital held %
Edinburgh Fund Managers	5.93
Mercury Asset Management	4.34
M&G Investment Management	3.90
AXA Sun Life Investment Management	3.64
AECG Carlisle	3.24
Scudder Threadneedle Investments	3.09
ALR Morton	3.05

Policy on payment to creditors

The Company agrees the terms and conditions under which business transactions with suppliers are conducted. It complies with these payment terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The number of days taken to pay suppliers, calculated on the basis of trade creditors as at 29 February 2000 and average daily purchases for the year ended 29 February 2000, is 24 days (1999 - 32 days).

Employees

It is the Group's policy not to discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, training and promotion of disabled people and, should staff become disabled during the course of their employment, efforts are made to provide appropriate re-training. The Group places enormous importance on the contributions of its employees and aims to keep them informed of developments in the Group by way of regular meetings, newsletters and publications, together with distribution of the Annual Report.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

By order of the board

Richard Nichols
Company Secretary
2 May 2000



Report of the auditors

Auditors' report to the members of Incepta Group plc

We have audited the financial statements on pages 40 to 64 (including the additional disclosures on pages 69 to 71 relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention and the accounting policies set out on pages 45 and 46.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 36, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 66 and 67 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 29 February 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

2 May 2000

Consolidated profit and loss account

for the year ended 29 February 2000

	Note	2000			1999		
		Before exceptional items £'000	Exceptional items (Note 8) £'000	Total £'000	Before exceptional items £'000	Exceptional items (Note 8) £'000	Total £'000
Turnover	2, 3						
Continuing operations		169,985	-	169,985	113,773	-	113,773
Acquisitions		3,424	-	3,424	-	-	-
		173,409	-	173,409	113,773	-	113,773
Cost of sales		(96,219)	-	(96,219)	(63,643)	-	(63,643)
Gross profit (gross revenue)	2, 3	77,190	-	77,190	50,130	-	50,130
Administrative expenses		(64,178)	(1,220)	(65,398)	(42,404)	(1,459)	(43,863)
Other operating income	4	573	-	573	387	-	387
Group operating profit	3						
Continuing operations		12,757	(1,220)	11,537	8,113	(1,459)	6,654
Acquisitions		828	-	828	-	-	-
		13,585	(1,220)	12,365	8,113	(1,459)	6,654
Share of operating profit of associates		608	-	608	174	-	174
Total operating profit: Group and share of associates		14,193	(1,220)	12,973	8,287	(1,459)	6,828
Profit on sale of other fixed asset investment		-	10,983	10,983	-	-	-
Income from other fixed asset investment		163	-	163	116	-	116
Net interest payable	6	(323)	-	(323)	(682)	-	(682)
Profit on ordinary activities before tax	2, 3, 7	14,033	9,763	23,796	7,721	(1,459)	6,262
Tax on profit on ordinary activities	9	(4,178)	(2,688)	(6,866)	(2,208)	303	(1,905)
Profit on ordinary activities after tax		9,855	7,075	16,930	5,513	(1,156)	4,357
Minority interests	22	(17)	-	(17)	(34)	-	(34)
Profit attributable to Group shareholders		9,838	7,075	16,913	5,479	(1,156)	4,323
Dividend	10			(1,968)			(1,381)
Profit for the financial year transferred to reserves	21			14,945			2,942
Basic earnings per share	11	2.98p		5.12p	2.19p		1.73p
Diluted earnings per share	11	2.88p		4.95p	2.06p		1.63p

There is no difference between the profit reported above and historical cost profit.

Consolidated balance sheet

as at 29 February 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	12	74,707	27,286
Tangible assets	13	8,237	6,439
		82,944	33,725
Investments:			
Investment in associates	14	34	211
Other investment	14	-	5,535
		34	5,746
		82,978	39,471
Current assets			
Work in progress		3,720	2,296
Debtors	15	41,386	31,627
Cash at bank and in hand	25	27,837	2,860
		72,943	36,783
Creditors: amounts falling due within one year	16	(69,991)	(39,633)
Net current assets/(liabilities)		2,952	(2,850)
Total assets less current liabilities		85,930	36,621
Creditors: amounts falling due after more than one year	17	(23,754)	(12,794)
Provisions for liabilities and charges	18	(530)	-
Net assets	2	61,646	23,827
Capital and reserves			
Called up share capital	20	3,336	3,283
Share premium account	21	13,485	12,608
Shares to be issued	21	22,527	1,655
Merger reserve	21	1,192	-
Profit and loss account	21	21,015	6,182
Equity shareholders' funds		61,555	23,728
Minority interests (equity)	22	91	99
Total equity capital employed		61,646	23,827

These financial statements were approved by the board of directors on 2 May 2000 and were signed on its behalf.

David Wright
Chief Executive

Richard Nichols
Group Finance Director



Company balance sheet

as at 29 February 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	13	3,630	794
Investments	14	106,221	62,416
		109,851	63,210
Current assets			
Debtors	15	27,045	24,849
Cash at bank and in hand		17,127	1,196
		44,172	26,045
Creditors: amounts falling due within one year	16	(33,624)	(13,427)
Net current assets		10,548	12,618
Total assets less current liabilities		120,399	75,828
Creditors: amounts falling due after more than one year	17	(23,155)	(12,656)
Provisions for liabilities and charges	18	(530)	-
Net assets		96,714	63,172
Capital and reserves			
Called up share capital	20	3,336	3,283
Share premium account	21	13,485	12,608
Shares to be issued	21	22,527	1,655
Merger reserve	21	46,559	45,367
Profit and loss account	21	10,807	259
Total equity capital employed		96,714	63,172

These financial statements were approved by the board of directors on 2 May 2000 and were signed on its behalf by:

David Wright
Chief Executive

Richard Nichols
Group Finance Director

Consolidated cash flow statement

for the year ended 29 February 2000

	Note	2000 £'000	1999 £'000
Cash flow from operating activities		12,630	6,972
Dividends received from associates		410	—
Returns on investments and servicing of finance	23	(277)	(481)
Taxation	23	(3,723)	(3,047)
Capital expenditure and financial investment	23	13,126	(2,213)
Acquisitions	23	2,717	(10,916)
Equity dividends paid		(1,381)	(771)
Net cash inflow/(outflow) before financing		23,502	(10,456)
Financing – issue of shares	23	95	(140)
– increase in debt	23 ¹	2,115	7,486
Increase/(decrease) in cash		25,712	(3,110)

Reconciliation of Group operating profit to cash flow from operating activities

	2000 £'000	1999 £'000
Group operating profit	12,365	6,654
Depreciation	2,351	1,643
Net (profit)/loss on disposal of tangible fixed assets	(11)	73
Other non-cash items	(176)	130
Increase in work in progress	(689)	(552)
Increase in debtors	(3,315)	(2,801)
Increase in creditors	2,105	1,825
Net cash inflow from operating activities	12,630	6,972

Reconciliation of net cash flow to movement in net funds/(debt)

	Note	2000 £'000	1999 £'000
Increase/(decrease) in cash		25,712	(3,110)
Cash inflow from increase in debt	23	(2,115)	(7,486)
Issue costs of new bank loans		—	90
Movement in net funds/(debt) resulting from cash flows	25	23,597	(10,506)
Loans and finance leases acquired with subsidiary undertakings and businesses		—	(179)
Inception of finance leases		(2)	(78)
Issue of loan notes for non-cash consideration		—	(94)
Other non-cash changes		(18)	(10)
Effect of foreign exchange	25	361	(90)
Movement in net funds/(debt)		23,938	(10,957)
Opening net debt	25	(13,527)	(2,570)
Closing net funds/(debt)	25	10,411	(13,527)

Statement of total recognised gains and losses

for the year ended 29 February 2000

	2000 £'000	Group 1999 £'000
Profit attributable to Group shareholders	16,913	4,323
Exchange differences on foreign currency net investments	250	(45)
Total recognised gains and losses	17,163	4,278

The Company made no recognised gains and losses other than a profit after tax and before distributions of £12,516,000 (1999 – £179,000).

Reconciliation of movement in shareholders' funds

for the year ended 29 February 2000

	Note	2000 £'000	Group 1999 £'000	2000 £'000	Company 1999 £'000
Profit attributable to Group shareholders		16,913	4,323	12,516	179
Dividend		(1,968)	(1,381)	(1,968)	(1,391)
		14,945	2,942	10,548	(1,212)
Other recognised gains and losses		250	(45)	–	–
Issue of shares net of issue costs		2,122	30,403	2,122	30,403
Net movement in estimated value of shares to be issued as consideration for acquisitions	21	20,872	(9,440)	20,872	(9,440)
Movement in goodwill relating to acquisitions in prior years	21	(362)	1,489	–	–
Net addition to shareholders' funds		37,827	25,349	33,542	19,751
Opening shareholders' funds/(deficit)		23,728	(1,621)	63,172	43,421
Closing shareholders' funds		61,555	23,728	96,714	63,172

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(1) Basis of accounting and presentation of the financial statements

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except, as discussed in note 1(8) below, in order to give a true and fair view in respect of goodwill.

In accordance with section 230(3) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account. The profit of the Company for the financial year dealt with in the consolidated financial statements is disclosed in the statement of total recognised gains and losses.

(2) Changes in presentation of financial information

FRS 13, 'Derivatives and other financial instruments: disclosures', has been adopted in these financial statements. This standard requires disclosures that provide information about the management of financial instruments and their impact on the Group's risk profile, performance and financial condition. These are set out in the Financial review and in notes 1(10) and 26.

(3) Basis of consolidation

The Group financial statements consolidate the accounts of the Company and all of its subsidiary undertakings. Associates are included under the equity accounting method. The results of subsidiary undertakings and associates acquired or disposed of in the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

(4) Turnover

Turnover represents amounts receivable, either for services to customers or for work completed during the year, excluding VAT.

(5) Foreign currencies

In the financial statements of individual Group undertakings, transactions in foreign currencies are recorded in the local currency using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

In the consolidated financial statements, the results of overseas subsidiary undertakings are translated at the average rates during the year and the balance sheets of these undertakings are translated at the year end exchange rates. Exchange differences arising on the re-translation at year end rates of opening net assets and results for the year of overseas subsidiary undertakings and of long term funding of investments in overseas subsidiary undertakings are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

(6) Leases

When the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

(7) Fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold property - Life of lease

Fixtures, fittings, vehicles & equipment - 20% to 35% per annum.

Depreciation is provided on freehold and long leasehold property in order to reduce the carrying value to the residual value estimated by the directors over a period of between 30 and 70 years.

Investments in subsidiary undertakings in the Company's balance sheet are stated at cost less provision for permanent diminution in value.

1 Accounting policies (continued)**(8) Goodwill and intangible assets**

Goodwill arising on acquisitions of businesses, associated undertakings or subsidiary undertakings is calculated as the excess of the fair value of the consideration given and costs of acquisition over the fair value of the separable net assets acquired. Goodwill arising on acquisitions up to and including 28 February 1998 was written off against reserves immediately on acquisition. In accordance with FRS 10, 'Goodwill and intangible assets', goodwill arising on acquisitions on or after 1 March 1998 is capitalised as an intangible fixed asset and amortised over its estimated useful economic life. Goodwill previously written off directly to reserves has not been reinstated on the balance sheet, but written off directly against the profit and loss reserve in accordance with the transitional provisions of FRS 10.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill taken directly to reserves on acquisition and the net book value of any related goodwill capitalised in the balance sheet.

The directors are of the opinion that the intangible assets of the Group have an indefinite economic life given the durability of the Group's brand names, their ability to sustain long term profitability, their proven ability to maintain market leadership and the Group's commitment to develop and enhance their value across its network of offices worldwide. In accordance with FRS 10 and FRS 11, 'Impairment of fixed assets and goodwill', the carrying values of intangible assets are reviewed annually for impairment on the basis stipulated in FRS 11 and adjusted to the recoverable amount if required. The individual circumstances of each acquisition are assessed to determine the appropriate treatment of any related goodwill.

The financial statements depart from the requirement of companies' legislation to amortise goodwill over a finite period in order to give a true and fair view, for the reasons outlined above. If the goodwill arising on all acquisitions made since 1 March 1998 had been amortised over a period of twenty years, operating profit for the year ended 29 February 2000 would have decreased by £1.6 million (1999 – £0.5 million).

(9) Work in progress

Work in progress comprises costs incurred on behalf of clients and is stated at the lower of cost and estimated net realisable value.

(10) Financial instruments

The costs of issue of capital instruments such as the issue costs of new debt are charged to the profit and loss account on an annual basis over the life of the instrument.

(11) Pensions

The Group operates defined contribution money purchase pension schemes and makes contributions to individual employees' personal pension schemes. The Group's contributions are charged against profits in the year in which contributions are made.

(12) Tax

The charge for tax is based on the results for the year and takes into account deferred tax on timing differences arising due to the different treatment of certain items for tax and accounting purposes. Provision is made for deferred tax only to the extent that it can be demonstrated with reasonable certainty that an actual liability will crystallise in the foreseeable future.

Notes to the financial statements (continued)

29 February 2000

2 Segmental information

Classes of business

	Turnover		Gross profit (gross revenue)		Profit on ordinary activities before tax	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Public Relations	58,923	31,408	41,008	23,231	6,869	2,912
Advertising	81,305	55,461	18,067	12,955	3,403	2,114
Marketing Services	23,719	18,489	9,599	7,763	2,457	2,277
Design & Branding	19,205	11,826	9,084	6,761	856	810
Intra-group trading	(9,743)	(3,411)	(568)	(580)	-	-
	173,409	113,773	77,190	50,130	13,585	8,113
Share of operating profit of associates					608	174
Income from other fixed asset investment					163	116
Net interest payable					(323)	(682)
					14,033	7,721
Exceptional items (note 8)					9,763	(1,459)
					23,796	6,262

	Exceptional items		Net assets/(liabilities)	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Public Relations	(164)	(643)	(670)	(510)
Advertising	(495)	(223)	(117)	1,560
Marketing Services	-	(226)	4,103	4,236
Design & Branding	(31)	(367)	1,932	1,424
Parent company and non-operational	10,453	-	56,398	17,117
	9,763	(1,459)	61,646	23,827

The above analyses of turnover, gross profit (gross revenue), profit on ordinary activities before tax and net assets/(liabilities) for 2000 include the following amounts in relation to acquisitions during the year:

	Turnover £'000	Gross profit (gross revenue) £'000	Profit on ordinary activities before tax £'000	Net assets* £'000
Public Relations	3,266	2,788	845	535
Advertising	158	44	(17)	759
	3,424	2,832	828	1,294
Net interest payable			(1)	
			827	

*Includes Citigate Dewe Rogerson i.MAGE (Pte) Limited, SEA Spiess Ermisch & Andere Werbeagentur GmbH and SEA Dewe Rogerson GmbH only, as net assets at 29 February 2000 for all other acquisitions are not separately identifiable from the net assets of continuing operations.

Notes to the financial statements (continued)

29 February 2000

2 Segmental information (continued)

Geographical segments

	Turnover by origin		Gross profit (gross revenue)		Profit on ordinary activities before tax	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
UK & continental Europe	112,566	74,059	56,644	35,527	13,336	7,412
Rest of the world	70,586	43,125	21,114	15,183	249	701
Intra-group trading	(9,743)	(3,411)	(568)	(580)	-	-
	173,409	113,773	77,190	50,130	13,585	8,113
Share of operating profit of associates					608	174
Income from other fixed asset investment					163	116
Net interest payable					(323)	(682)
					14,033	7,721
Exceptional items (note 8)					9,763	(1,459)
					23,796	6,262

	Turnover by destination (before intra-group trading)		Exceptional items		Net assets/(liabilities)	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
UK & continental Europe	136,213	66,972	9,930	(1,083)	65,451	30,402
Rest of the world	46,939	50,212	(167)	(376)	(3,805)	(6,575)
	183,152	117,184	9,763	(1,459)	61,646	23,827

3 Analysis of the results of acquisitions

	Continuing operations £'000	Acquisitions £'000	2000 Total £'000	1999 Continuing operations £'000
Turnover	169,985	3,424	173,409	113,773
Cost of sales	(95,627)	(592)	(96,219)	(63,643)
Gross profit (gross revenue)	74,358	2,832	77,190	50,130
Administrative expenses before exceptional items	(62,174)	(2,004)	(64,178)	(42,404)
Other operating income	573	-	573	387
Group operating profit before exceptional items	12,757	828	13,585	8,113
Share of operating profit of associates	608	-	608	174
Income from other fixed asset investment	163	-	163	116
Net interest payable	(322)	(1)	(323)	(682)
	13,206	827	14,033	7,721
Exceptional items (note 8)	9,763	-	9,763	(1,459)
Profit on ordinary activities before tax	22,969	827	23,796	6,262

Details of acquisitions made during the year are provided in note 27.

4 Other operating income

Other operating income of £573,000 (1999 - £387,000) consists of rental income from office space which has been sub-let.

Notes to the financial statements (continued)

29 February 2000

5 Employee numbers and remuneration

The average number of persons employed by the Group (including directors) during the year, analysed by class of business, was as follows:

	2000	1999
Public Relations	468	308
Advertising	213	155
Marketing Services	111	86
Design & Branding	157	144
Head office	37	29
	986	722

The aggregate payroll costs of these persons were as follows:

	2000 £'000	1999 £'000
Wages and salaries	37,290	25,469
Social security costs	3,178	2,147
Other pension costs	1,734	1,234
	42,202	28,850

Aggregate payroll costs include the following amounts in respect of the exceptional items disclosed in note 8:

	2000 £'000	1999 £'000
Wages and salaries	1,027	649
Social security costs	155	38
Other pension costs	36	—
	1,218	687

Exceptional items in the year ended 29 February 2000 include a provision of £530,000 in relation to employer's national insurance contributions payable on certain share options (note 8). This amount is not included in the table above.

The information on directors' emoluments and share options set out on pages 69 to 71 forms part of these financial statements.

6 Net interest payable

	2000 £'000	1999 £'000
Interest payable:		
Group		
– on bank loans and overdrafts	993	810
– on other loans	74	138
– in respect of finance leases	18	20
	1,085	968
Interest receivable:		
Group		
– on bank deposits	(755)	(282)
Associates		
– on bank deposits	(7)	(4)
	323	682

7 Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging/(crediting):

	2000 £'000	1999 £'000
Staff costs (note 5)	42,202	28,850
Depreciation of tangible fixed assets:		
– owned assets	2,312	1,576
– assets held under finance leases	39	67
Net (profit)/loss on disposal of tangible fixed assets	(11)	73
Rent and other operating lease rentals	4,530	2,773
Exchange (gains)/losses	(146)	88
Group audit fees and expenses of which the parent company was £55,000 (1999 – £24,000)		
– current year	215	165
– under provision in prior year	49	–

Fees paid to PricewaterhouseCoopers for non-audit services in the UK were £240,000 (1999 – £201,000). Of this amount £34,000 (1999 – £181,000) has been capitalised during the year within intangible fixed assets, being costs of acquisitions.

Depreciation, loss on disposal of tangible fixed assets and rent and other operating lease rentals for 1999 include £8,000, £102,000 and £73,000 respectively in relation to the exceptional costs arising in that year.

8 Exceptional items

	2000 £'000	1999 £'000
Profit on sale of other fixed asset investment	10,983	–
Provision for national insurance contributions on share options	(530)	–
Restructuring costs:		
– Redundancy	(690)	(687)
– Reorganisation	–	(772)
	9,763	(1,459)

During the year, the Group sold its strategic investment in Lopex plc, making a profit on sale of £10,983,000. The investment had previously been included in fixed asset investments at an historic cost of £5,535,000. Proceeds from the sale were £17,650,000 and total costs associated with the sale amounted to £1,132,000.

A provision of £530,000 has been made in relation to employer's national insurance contributions payable on certain share options. The UK government has recently announced that for unapproved options granted since 6 April 1999, companies have an uncapped liability to employer's national insurance contributions at 12.2% of the gain that the employee ultimately makes. The provision is based on such unapproved options outstanding at 29 February 2000 and on gains that would be made at the year end share price of 172.5p.

During the year, the Group undertook the final stages of its restructuring programme following the Dewe Rogerson acquisition in October 1998. Redundancy costs of £690,000 were incurred, largely relating to the creation of a single UK advertising brand, Citigate Albert Frank, which involved the integration of Citigate Dewe Rogerson Advertising & Branding with the Group's existing advertising business.

The £1,459,000 of exceptional costs incurred in 1999 related to a restructuring programme principally resulting from acquisitions in that year.

9 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax payable on the profit for the year at 30 per cent. (1999 – 31 per cent.)	6,154	1,790
Foreign taxes on profits of subsidiary undertakings	541	151
Share of tax of associates	289	78
Over provision in respect of prior years	(118)	(114)
	6,866	1,905

Net tax payable on exceptional items amounted to £2,688,000 (1999 – £303,000 receivable), including £3,024,000 payable in respect of the sale of the fixed asset investment.

Notes to the financial statements (continued)

29 February 2000

10 Dividend

	2000 £'000	1999 £'000
Final dividend proposed	1,968	1,381

A final dividend of 0.50p per share (1999 – 0.42p per share) is recommended and, subject to approval by shareholders, will be paid on 17 July 2000 to shareholders on the register at 12 May 2000.

11 Earnings per share

Basic earnings per share has been calculated using earnings of £16,913,000 (1999 – £4,323,000) and a weighted average number of shares in issue during the year of 330,546,515 ordinary shares (1999 – 249,737,118). Diluted earnings per share has been calculated on the same earnings figure and an aggregate weighted average number of shares of 342,022,113 (1999 – 265,336,318).

Earnings per share before exceptional items has been calculated using earnings before exceptional items of £9,838,000 (1999 – £5,479,000) and the same weighted average number of shares as for basic earnings per share or diluted earnings per share as applicable.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £'000	Weighted average number of shares Million	2000 Earnings per share p	Earnings £'000	Weighted average number of shares Million	1999 Earnings per share p
Basic EPS	16,913	330.55	5.12	4,323	249.74	1.73
Effect of dilutive securities:						
Options and warrants		9.87			4.36	
Contingently issuable shares in relation to acquisitions		1.60			11.24	
Diluted EPS	16,913	342.02	4.95	4,323	265.34	1.63
Earnings per share before exceptional items						
Basic EPS	16,913	330.55	5.12	4,323	249.74	1.73
Exceptional items (post tax)	(7,075)			1,156		
Basic EPS before exceptional items	9,838	330.55	2.98	5,479	249.74	2.19
Diluted EPS	16,913	342.02	4.95	4,323	265.34	1.63
Exceptional items (post tax)	(7,075)			1,156		
Diluted EPS before exceptional items	9,838	342.02	2.88	5,479	265.34	2.06

12 Intangible fixed assets

	Goodwill £'000
At 1 March 1999	27,286
Goodwill arising on acquisitions in the year	47,685
Adjustment in relation to prior year acquisitions	(264)
At 29 February 2000	74,707

The goodwill arising on acquisitions in the year relates to the acquisitions of SEA Spiess Ermisch & Andere Werbeagentur GmbH and other subsidiaries and businesses as detailed in note 27.

Notes to the financial statements (continued)

29 February 2000

13 Tangible fixed assets
Group

	Freehold and long leasehold property £'000	Short leasehold property £'000	Fixtures, fittings, vehicles & equipment £'000	Total £'000
Cost				
At 1 March 1999	435	4,270	10,432	15,137
Acquisitions	128	23	2,194	2,345
Additions	-	1,099	2,450	3,549
Disposals	(56)	(5)	(700)	(761)
Foreign exchange	-	2	(11)	(9)
At 29 February 2000	507	5,389	14,365	20,261
Depreciation				
At 1 March 1999	36	1,878	6,784	8,698
Acquisitions	94	8	1,558	1,660
Charge for the year	7	458	1,886	2,351
Disposals	(31)	(4)	(643)	(678)
Foreign exchange	-	2	(9)	(7)
At 29 February 2000	106	2,342	9,576	12,024
Net book value				
At 29 February 2000	401	3,047	4,789	8,237
At 28 February 1999	399	2,392	3,648	6,439

The net book value of assets at 29 February 2000 includes an amount of £268,000 in respect of assets held under finance leases (28 February 1999 - £305,000).

Company

	Freehold and long leasehold property £'000	Short leasehold property £'000	Fixtures, fittings, vehicles & equipment £'000	Total £'000
Cost				
At 1 March 1999	379	148	834	1,361
Additions	-	1,004	854	1,858
Disposals	-	-	(27)	(27)
Transfers from subsidiary undertakings	-	2,243	1,592	3,835
At 29 February 2000	379	3,395	3,253	7,027
Depreciation				
At 1 March 1999	5	6	556	567
Charge for the year	7	245	416	668
Disposals	-	-	(20)	(20)
Transfers from subsidiary undertakings	-	1,226	956	2,182
At 29 February 2000	12	1,477	1,908	3,397
Net book value				
At 29 February 2000	367	1,918	1,345	3,630
At 28 February 1999	374	142	278	794

The net book value of assets at 29 February 2000 includes an amount of £87,000 in respect of assets held under finance leases. No assets were held under finance leases at 28 February 1999.

Notes to the financial statements (continued)

29 February 2000

14 Fixed asset investments

Group	Investment in associates £'000	Other investment £'000
At 1 March 1999	211	5,535
Disposals (note 8)	—	(5,535)
Share of profits less dividends for the year	(123)	—
Foreign exchange	5	—
Adjustment on acquisition of the remaining 52.5% interest in SEA Dewe Rogerson GmbH (note 27)	(59)	—
At 29 February 2000	34	—

The investment in associates at 29 February 2000 represents the Group's 40% holding in Capital Communications Kft and 34% holding in NBS Spolka z.o.o. Both companies are public relations consultancies, registered in Hungary and Poland respectively. The carrying value of the investments equates to the Group's share of net assets and does not include any goodwill.

Company

	Investment in subsidiary undertakings £'000
At 1 March 1999	62,416
Additions	43,805
At 29 February 2000	106,221

Investment in subsidiary undertakings is stated at cost. Additions during the year are discussed in note 27.

Loans to Group undertakings are included in debtors.

Principal subsidiary undertakings and associates at 29 February 2000 are listed in note 32. A full list of subsidiary undertakings and associates will be annexed to the Company's next annual return.

15 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Trade debtors	37,045	28,310	—	—
Amounts owed by subsidiary undertakings	—	—	22,600	21,749
Amounts owed by associates	—	—	—	—
– trading balances	—	445	—	—
– dividend receivable	74	35	—	—
Corporation tax	407	631	515	—
Advance corporation tax recoverable	317	193	193	193
Other debtors	1,657	625	596	151
Prepayments and accrued income	1,886	1,272	477	211
	41,386	31,511	24,381	22,304
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	—	—	2,664	2,545
Other debtors	—	116	—	—
	41,386	31,627	27,045	24,849

Included within other debtors falling due within one year for the Group is an amount of £47,000 (1999 – £74,000) relating to shares in the Company held by the Citigate Communications Group Limited Employee Share Trust. The shares were issued at the time of the Citigate acquisition as consideration for Citigate Communications Group Limited shares which were held by the Employee Share Trust in accordance with an agreement dated 4 April 1995 between the Employee Share Trust and Citigate Communications Group Limited. The shares are to be distributed under a replacement option scheme resulting from the acquisition and are valued at cost. Further details of the option scheme are provided on page 71.

16 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank overdraft	—	641	—	—
Bank loans	1,983	1,986	1,983	1,982
Loan notes	807	844	807	844
Obligations under finance leases falling due within one year	113	122	73	—
Trade creditors	18,850	13,983	614	343
Amounts owed to subsidiary undertakings	—	—	12,650	6,003
Amounts owed to associates – trading balances	—	23	—	—
Corporation tax	6,086	2,228	—	182
Other taxes and social security	1,931	1,579	736	429
Initial consideration for acquisition of SEA (note 27)	11,062	—	11,062	—
Deferred consideration for acquisitions	2,494	958	1,172	183
Advance corporation tax payable	124	—	—	—
Proposed dividend	1,961	1,381	1,968	1,391
Other creditors	5,165	2,311	149	20
Accruals and deferred income	19,415	13,577	2,410	2,050
	69,991	39,633	33,624	13,427

Included within other creditors for the Group is £97,000 (1999 – £238,000) relating to liabilities and accrued obligations of the Citigate Communications Group Limited Employee Share Trust, representing the income tax liability, accrued professional fees and a provision against future commitments. The proposed dividend for the Group is stated after deducting dividends of £7,000 (1999 – £10,000) in respect of shares held by the Citigate Communications Group Limited Employee Share Trust.

£736,000 of the loan notes shown above were issued on 28 February 1997 as part of the consideration for the acquisition of the Park Avenue Productions plc minority interests. They are secured by way of a charge over the minority interests acquired and are repayable on six months' notice.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans	14,480	11,906	14,480	11,906
Obligations under finance leases falling due between one and five years	43	138	13	—
Loan notes	—	750	—	750
Deferred consideration for acquisitions	9,231	—	8,662	—
	23,754	12,794	23,155	12,656

The bank loans shown above and in note 16 are funded under facilities with Lloyds TSB Bank plc and comprise a £10.0 million five year term loan facility and a £10.0 million five year multi-currency revolving loan facility, both dated 16 October 1998. The aggregate amounts drawn down under these facilities at 29 February 2000 totalled £16.5 million. £6.5 million was drawn down and £1.5 million repaid during the year on the multi-currency revolver loan. £2.0 million was repaid during the year on the term loan. Interest payable on the majority of the Group's borrowings is payable at a margin of 1.5% over LIBOR or foreign equivalents appropriate to the base currency of the facility. Borrowings under the loan agreements are secured by fixed and floating charges over the assets of the Company and certain of the Group's subsidiary undertakings. The borrowings are governed by financial covenants based on the results and financial position of the Group.

Bank loans are stated net of unamortised issue costs of £62,000 (1999 – £80,000). Total issue costs of £90,000 were incurred in respect of the loan facilities described above. These costs are allocated to the profit and loss account over the 5 year term of the facilities on a straight line basis.

18 Provisions for liabilities and charges

	Group £'000	Company £'000
At 1 March 1999	—	—
Charged to profit and loss account in respect of employer's national insurance contributions on share options (note 8)	530	530
At 29 February 2000	530	530

The provision is expected to be fully utilised within two to five years.

Notes to the financial statements (continued)

29 February 2000

19 Deferred tax

At 29 February 2000, the Group had potential deferred tax assets of £1,181,000 (1999 – £818,000) in relation to allowable tax losses and £992,000 (1999 – £873,000) in relation to timing differences. These assets have not been recognised in the financial statements.

20 Called up share capital

	2000 £'000	1999 £'000
Authorised		
Ordinary shares of 1p each 441,955,000 (1999 – 441,955,000)	4,420	4,420
Allotted and fully paid		
Ordinary shares of 1p each 333,557,447 (1999 – 328,317,474)	3,336	3,283

A total of 3,895,322 shares were issued during the year as deferred consideration for the acquisitions of Park Avenue Productions plc minority interests, Amdur Creative Services Limited, RLS (Public Relations) Limited, Team Marketing Communications and Alexander Demuth GmbH, made during prior years.

On 23 July 1999, the holders of 141,360 warrants exercised the right to subscribe for 141,360 shares, at a price of 19.3p.

On 27 September 1999, 577,264 shares were issued as part of the initial consideration for the acquisition of i.MAGE Marcom (S) Pte Ltd and i.MAGE Public Relations (S) Pte Ltd.

A total of 626,027 shares were issued during the year under the Company's share option schemes for a total consideration of £71,000.

Subsequent to the year end, 8,245,982 shares were issued as initial consideration for the acquisition of SEA Spiess Ermisch & Andere Werbeagentur GmbH, 31,761,939 shares were issued in relation to the acquisition of Sard Verbinen and a total of 3,429,518 shares were issued as consideration for other acquisitions made during the year and subsequently.

In April 2000, the Group issued 16,551,900 shares by way of a placing at 115p per share, raising £19.0 million.

Also subsequent to the year end, a further 5,525 shares were issued under the Company's share option schemes.

The total number of shares in issue as at 2 May 2000 is 393,552,311.

Further shares are to be issued subject to future financial performance as deferred consideration for the acquisitions of Team Marketing Communications, i.MAGE Marcom (S) Pte Ltd, i.MAGE Public Relations (S) Pte Ltd, Rainmaker Public Relations CC, Reader Pollock CC and SEA Spiess Ermisch & Andere Werbeagentur GmbH. The estimated value of these shares is included in shares to be issued at 29 February 2000 (note 21). Also included in shares to be issued at 29 February 2000 are 300,000 shares to be issued as consideration for the acquisition of 5% of SEA Dewe Rogerson GmbH.

The Company has shareholder authority to purchase its own shares, to a maximum of 33,103,747 shares.

Warrants

There were in issue at 29 February 2000 1,575,537 warrants (1999 – 1,716,897), each of which gives the right to subscribe for 1 ordinary share of 1p on 30 June 2000 (or, if later, 30 days after the despatch of the annual accounts). There has been no change to the number of warrants in issue since the year end. The current exercise price is 19.3p per share, having been changed from 19.7p with effect from 15 September 1998 following the placing and open offer associated with the acquisition of Dewe Rogerson Group Limited.

Options

As at 29 February 2000, certain employees including directors held options over ordinary shares of 1p under the following schemes:

	Options held		Exercise prices (per share)	Exercise periods (various dates)
	2000	1999		
Employee Share Option Scheme	3,776,000	4,631,000	10.5p to 31.0p	up to 29 October 2007
Executive Share Option Plan	6,385,000	1,400,000	23.25p to 100.5p	between 22 September 2001 and 25 January 2010
1998 Savings Related Share Option Scheme	2,184,512	2,385,939	15.2p	between 1 January 2001 and 31 December 2002
1999 Savings Related Share Option Scheme	1,706,738	–	47.0p	between 1 January 2002 and 30 June 2003
	14,052,250	8,416,939		

A total of 7,561,212 options were granted, 631,552 exercised and 1,294,349 lapsed during the year under the above schemes. Further details are shown in the statement of directors' remuneration and interests on pages 70 and 71.

21 Reserves Group

	Share premium account £'000	Shares to be issued £'000	Merger reserve £'000	Profit and loss account £'000
At 1 March 1999	12,608	1,655	-	6,182
Retained profit for the year	-	-	-	14,945
Exchange differences on foreign currency net investments	-	-	-	250
Premium on shares issued as consideration for acquisitions	789	-	1,192	-
Premium on shares issued under share option schemes	65	-	-	-
Premium on shares issued to warrant holders	26	-	-	-
Share issue costs	(3)	-	-	-
Net movement in estimated value of shares to be issued as consideration for acquisitions	-	20,872	-	-
Movement in goodwill relating to acquisitions in prior years	-	-	-	(362)
At 29 February 2000	13,485	22,527	1,192	21,015

Shares to be issued includes £14,224,000 in respect of initial consideration for the acquisition of SEA Spiess Ermisch & Andere Werbeagentur GmbH (note 27).

A merger reserve has been created in relation to 3,627,264 shares issued during the year as consideration for the acquisitions of Park Avenue Productions plc minority interests, RLS (Public Relations) Limited, i.MAGE Marcom (S) Pte Ltd and i.MAGE Public Relations (S) Pte Ltd.

Cumulative goodwill relating to acquisitions made up to and including 28 February 1998, which has been eliminated against reserves, amounts to £46,259,000 (1999 - £45,897,000).

Company

	Share premium account £'000	Shares to be issued £'000	Merger reserve £'000	Profit and loss account £'000
At 1 March 1999	12,608	1,655	45,367	259
Retained profit for the year	-	-	-	10,548
Premium on shares issued as consideration for acquisitions	789	-	1,192	-
Premium on shares issued under share option schemes	65	-	-	-
Premium on shares issued to warrant holders	26	-	-	-
Share issue costs	(3)	-	-	-
Net movement in estimated value of shares to be issued as consideration for acquisitions	-	20,872	-	-
At 29 February 2000	13,485	22,527	46,559	10,807

22 Minority interests

	£'000
At 1 March 1999	99
Minority interests' share of profit for the year	17
Minority interests' share of exchange differences on foreign currency net investments	(9)
Acquisitions of minority interests (note 27)	(16)
At 29 February 2000	91

23 Analysis of cash flows

	2000 £'000	1999 £'000
Returns on investments and servicing of finance		
Interest received	754	282
Interest paid	(1,160)	(769)
Issue costs of new bank loans	-	(90)
Interest element of finance lease payments	(18)	(20)
Dividend received from other fixed asset investment	147	116
	(277)	(481)
Taxation		
UK tax paid	(3,609)	(2,841)
Overseas tax paid	(114)	(206)
	(3,723)	(3,047)

Notes to the financial statements (continued)

29 February 2000

	2000 £'000	1999 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,549)	(2,374)
Disposal of tangible fixed assets	94	161
Net cash inflow from sale of other fixed asset investment	16,581	–
	13,126	(2,213)
Acquisitions		
Purchase of subsidiary undertakings (note 27)	(1,629)	(5,556)
Purchase of businesses (note 27)	(1,897)	(1,551)
Net cash/(overdraft) acquired with subsidiary undertakings and businesses (note 27)	6,243	(236)
Purchase of other fixed asset investment	–	(3,573)
	2,717	(10,916)
Financing		
Issue of shares:		
Proceeds from issue of ordinary share capital	98	117
Share issue costs	(3)	(257)
	95	(140)
Increase in debt:		
Repayment of bank loans	(3,503)	(9,277)
Draw-down of bank loans	6,511	17,850
Capital element of finance lease payments	(106)	(87)
Repayment of loan notes	(787)	(1,000)
	2,115	7,486
	2,210	7,346

Acquisitions

Acquisitions accounted for £444,000 (1999 – £1,154,000) of cash flow from operating activities, £nil (1999 – £772,000) of taxation, and £6,000 (1999 – £238,000) of capital expenditure in the year. These amounts only represent the cash flows of Citigate Dewe Rogerson i.MAGE (Pte) Ltd, as cash flows for all other acquisitions are not separately identifiable from the cash flows of continuing operations.

Exceptional items

Cash flow from operating activities includes an outflow of £609,000 (1999 – £792,000) in respect of the exceptional items arising in the year (note 8).

24 Major non-cash transactions

Part of the consideration for the acquisitions of subsidiary undertakings during the year comprised shares. Further details are set out in note 27.

25 Analysis of net funds/(debt)

	At 1 March 1999 £'000	Cash flows £'000	Exchange movements £'000	Other movements £'000	At 29 February 2000 £'000
Cash at bank and in hand	2,860	25,071	(94)	–	27,837
Bank overdraft	(641)	641	–	–	–
Loan notes					
– amounts falling due within one year	(844)	773	–	(736)	(807)
– amounts falling due after more than one year	(750)	14	–	736	–
Bank loans					
– amounts falling due within one year	(1,986)	2,000	–	(1,997)	(1,983)
– amounts falling due after more than one year	(11,906)	(5,008)	455	1,979	(14,480)
Finance leases					
– amounts falling due within one year	(122)	106	–	(97)	(113)
– amounts falling due after more than one year	(138)	–	–	95	(43)
	(13,527)	23,597	361	(20)	10,411

Other movements comprise amortisation of loan issue costs and inception of finance leases, together with transfers between ageing categories of loan notes, bank loans and finance leases.

26 Financial instruments

The Group's financial instruments comprise cash at bank and in hand, borrowings in the form of loan notes, bank loans and finance leases, consideration for acquisitions and various items such as trade debtors and trade creditors that arise directly from its operations. As permitted by FRS 13, short-term debtors and creditors have been excluded from all financial instrument disclosures other than currency exposure disclosures.

The Group's policies and strategies in relation to risk and financial instruments are explained in the Financial review on pages 32 and 33. Accounting policies relevant to financial instruments are detailed in note 1(10).

The Group does not enter into any hedging arrangements involving derivative financial instruments.

Interest rate risk profile of financial liabilities

As at 29 February 2000:

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling	8,245	85	730	9,060
US dollars	1,013	70	1,171	2,254
Hong Kong dollars	976	1	—	977
EU currencies (excluding Sterling)	7,036	—	19,725	26,761
Other currencies	—	—	1,161	1,161
	17,270	156	22,787	40,213

The floating rate financial liabilities bear interest at rates fixed in advance for three months by reference to the national LIBOR equivalent rates.

Currency	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed Months	Weighted average period until maturity Months
Sterling	12.0	15	21
US dollars	8.5	11	12
Hong Kong dollars	7.8	18	—
EU currencies (excluding Sterling)	—	—	18
Other currencies	—	—	2
	10.4	13	17

As at 28 February 1999:

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling	11,654	136	100	11,890
US dollars	1,000	124	63	1,187
Hong Kong dollars	973	—	111	1,084
EU currencies (excluding Sterling)	2,500	—	684	3,184
	16,127	260	958	17,345

Currency	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed Months	Weighted average period until maturity Months
Sterling	12.0	27	10
US dollars	8.9	22	3
Hong Kong dollars	—	—	4
EU currencies (excluding Sterling)	—	—	11
	10.5	25	10

Notes to the financial statements (continued)

29 February 2000

Interest rate risk profile of financial assets

Currency	2000 Cash at bank and in hand £'000	Other fixed asset investment £'000	Cash at bank and in hand £'000	Other debtors £'000	1999 Total £'000
Sterling	16,784	5,535	132	–	5,667
US dollars	1,725	–	1,244	116	1,360
Hong Kong dollars	440	–	298	–	298
EU currencies (excluding Sterling)	7,919	–	664	–	664
Other currencies	969	–	522	–	522
	27,837	5,535	2,860	116	8,511
No interest	1,386	5,535	1,658	116	7,309
Floating rate	25,221	–	1,108	–	1,108
Fixed rate	1,230	–	94	–	94
	27,837	5,535	2,860	116	8,511

Cash at bank and in hand includes deposits placed with banks on money markets at overnight rates.
Other debtors in 1999 comprised deposits in respect of rent.

Maturity of Group financial liabilities

	Borrowings and finance leases £'000	Consideration for acquisitions £'000	2000 Total £'000	Borrowings and finance leases £'000	Consideration for acquisitions £'000	1999 Total £'000
In one year or less or on demand	2,903	13,556	16,459	3,593	958	4,551
In more than one year but not more than two years	2,017	189	2,206	2,798	–	2,798
In more than two years but not more than five years	12,506	9,042	21,548	9,996	–	9,996
	17,426	22,787	40,213	16,387	958	17,345

Borrowings and finance leases above include unamortised loan issue costs of £62,000 (1999 – £80,000).

Maturity of Company borrowings and finance leases

Company borrowings including bank loans, bank overdrafts and loan notes, and obligations under finance leases, fall due as follows:

	2000 £'000	1999 £'000
In one year or less or on demand	2,863	2,826
In more than one year but not more than two years	1,994	2,688
In more than two years but not more than five years	12,499	9,968
	17,356	15,482

Borrowing facilities

The Group had an undrawn committed facility of £976,000 available at 29 February 2000 (1999 – £5,532,000) in respect of which all conditions precedent had been met at that date. This relates to a £10.0 million five year multi-currency revolving loan facility with Lloyds TSB Bank plc which bears interest at floating rates and expires in October 2003.

Fair values of financial assets and liabilities

The fair values of primary financial instruments held or issued to finance the Group's operations, as determined by market values or calculated by discounting expected future cash flows at prevailing interest rates, are set out below:

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Bank overdraft	–	–	(641)	(641)
Bank loans	(16,463)	(16,463)	(13,892)	(13,892)
Loan notes	(807)	(807)	(1,594)	(1,594)
Obligations under finance leases	(156)	(156)	(260)	(260)
Initial consideration for acquisition of SEA	(11,062)	(11,062)	–	–
Deferred consideration for acquisitions	(11,725)	(9,070)	(958)	(908)
Other fixed asset investment	–	–	5,535	7,060
Other debtors	–	–	116	116
Cash at bank and in hand	27,837	27,837	2,860	2,860

26 Financial instruments (continued)**Currency exposures**

The Group's objectives in managing the structural currency exposures arising from its net investments overseas are explained in the Financial review on page 33. Gains and losses arising from these currency exposures are recognised in the statement of total recognised gains and losses. The table below shows the Group's transactional currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures arise from monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating unit involved.

As at 29 February 2000:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)					Total £'000
	Sterling £'000	US dollars £'000	Hong Kong dollars £'000	EU currencies (excluding Sterling) £'000	Other currencies £'000	
Sterling	-	2,759	531	(3,872)	(413)	(995)
US dollars	222	-	(278)	-	237	181
Hong Kong dollars	(63)	(12)	-	(26)	506	405
EU currencies (excluding Sterling)	(3)	8	-	-	-	5
Other currencies	23	(237)	-	-	-	(214)
Total	179	2,518	253	(3,898)	330	(618)

As at 28 February 1999:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)					Total £'000
	Sterling £'000	US dollars £'000	Hong Kong dollars £'000	EU currencies (excluding Sterling) £'000	Other currencies £'000	
Sterling	-	(1,263)	12	41	148	(1,062)
US dollars	(45)	-	(488)	-	206	(327)
Hong Kong dollars	95	74	-	-	226	395
Other currencies	-	(122)	-	-	-	(122)
Total	50	(1,311)	(476)	41	580	(1,116)

27 Acquisitions**SEA acquisition**

The Group acquired the whole of the issued share capital of SEA Spiess Ermisch & Andere Werbeagentur GmbH on 29 February 2000. Initial consideration comprised DM 35,400,000 in cash and 8,245,982 new ordinary shares in the Company. A maximum deferred consideration of DM 27,720,000 in cash and DM 18,480,000 new ordinary shares in the Company will be paid subject to future financial performance.

As part of the SEA acquisition, the Group acquired a further 47.5% of SEA Dewe Rogerson GmbH, which was previously a 47.5% associate. On 29 February 2000, the Company also acquired the remaining 5% of SEA Dewe Rogerson GmbH for consideration of 300,000 new ordinary shares in the Company to be issued in annual instalments up to 29 February 2003.

Estimated acquisition costs amount to £300,000, of which none had been paid at 29 February 2000.

The book values and fair values of assets and liabilities acquired were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Tangible fixed assets	448	-	448
Work in progress	1,007	(252)	755
Debtors	6,668	-	6,668
Cash at bank and in hand	6,227	-	6,227
Taxation	(1,138)	-	(1,138)
Other creditors	(12,135)	-	(12,135)
Less: share of associate already owned	(59)	-	(59)
	1,018	(252)	766
Goodwill			39,776
Total cost			40,542

The fair value adjustment to work in progress is to ensure consistency of accounting policies. All fair values are provisional awaiting final determination of the balances acquired.

Notes to the financial statements (continued)

29 February 2000

The results for SEA Spiess Ermisch & Andere Werbeagentur GmbH from the start of its financial period on 1 January 2000 up to 29 February 2000, the date of acquisition, were: turnover DM 14,705,000; operating profit DM 3,814,000; profit before tax DM 5,435,000; tax charge DM 2,200,000. The profit after tax for the year ended 31 December 1999 was DM 4,582,000.

The results for SEA Dewe Rogerson GmbH from the start of its financial period on 1 April 1999 up to 29 February 2000, the date of acquisition, were: turnover DM 16,459,000; operating profit DM 3,887,000; profit before tax DM 3,964,000; tax charge DM 1,773,000. The profit after tax for the year ended 31 March 1999 was DM 1,028,000.

Since it was established in 1970, SEA has grown into one of the leading advertising and corporate communications agencies in Germany. It has a proven record of sustained revenue growth and profitability. The Group is committed to investing in the brand as part of its strategy to build a strong European operation. Accordingly, the goodwill arising on the acquisition is not amortised as the directors regard it as having an indefinite economic life.

Other acquisitions

During the year, the Company acquired 100% of i.MAGE Marcom (S) Pte Ltd and i.MAGE Public Relations (S) Pte Ltd, public relations consultancies based in Singapore. Initial consideration comprised S\$1,200,000 in cash and 577,264 new ordinary shares in the Company, plus S\$37,000 in cash for the net assets acquired. Deferred consideration of S\$6,500,000, including S\$3,250,000 in new ordinary shares in the Company, was paid subsequent to the year end. i.MAGE, which commenced trading in 1988, has a strong reputation and market share in the local IPO market and a proven track record of profitability. The goodwill arising on the acquisition of the i.MAGE companies is not amortised as the directors regard it as having an indefinite economic life.

The Group acquired the trade and certain assets of The Public Policy Unit Limited ("PPU"), a business and management consultancy specialising in government related work and public affairs in London and Brussels, effective 1 April 1999. Initial consideration comprised £100,000 in cash, plus £9,000 in cash for the assets acquired. A maximum deferred consideration of £1,230,000 in cash will be paid subject to future financial performance. The acquisition of PPU, which was incorporated in 1985 and has a blue-chip client base and extensive profile in a specialist field, strengthens the Group's public affairs capability. The Group is committed to developing an European infrastructure and critical mass in individual disciplines. The directors regard the goodwill arising on this acquisition as having an indefinite economic life.

The Group acquired the trade and certain assets of Kissel-Blake, the New York based shareholder intelligence division of Georgeson Shareholder Communications Inc., effective 30 July 1999. Initial consideration comprised US\$250,000 in cash. A maximum deferred consideration of US\$500,000 in cash will be paid subject to future financial performance. The goodwill arising on this acquisition is not amortised as the directors consider that the Kissel-Blake business, specifically its proprietary computer software and related equipment, will enhance the quality and profitability of the Group's existing shareholder services and complement the Group's other activities in North America indefinitely.

The Group acquired the trade and certain assets of Reader Pollock CC, an advertising and marketing agency in Cape Town, effective 1 September 1999. Initial consideration comprised Rand 1,000,000 in cash, plus Rand 33,000 in cash for the assets acquired. A maximum deferred consideration of Rand 5,500,000, of which a maximum of Rand 4,125,000 is payable in cash at the vendor's discretion, will be paid subject to future financial performance. The Group acquired the trade and certain assets of Rainmaker Public Relations CC, a public relations agency in Cape Town, effective 1 September 1999. Initial consideration comprised Rand 600,000 in cash, plus Rand 2,000 in cash for the assets acquired. A maximum deferred consideration of Rand 2,400,000, of which a maximum of Rand 1,800,000 is payable in cash at the vendor's discretion, will be paid subject to future financial performance. Both Cape Town agencies are significant players in their local marketplace. They have merged with Citigate South Africa's existing operations in Cape Town, bringing complementary skills and quality clients, generating creative synergies and realising economies of scale. The Group is committed to investing in its presence in this region and the goodwill arising on these acquisitions is consequently not amortised as the directors regard it as having an indefinite economic life.

The Group acquired 100% of Power IR Corp., an investment information database development company located in New York, effective 1 January 2000. Initial consideration comprised US\$500,000 in cash. A maximum deferred consideration of US\$300,000 will be paid subject to delivery and final acceptance of enhanced versions of the database software within specific time deadlines. The existing software has a proven blue-chip customer profile. Goodwill arising on the acquisition is not amortised as the directors believe that the Power IR database will become a critical component of Citigate Dewe Rogerson's investor relations product offering as well as generating cost savings by virtue of being an internal contact management resource.

The Group acquired the trade and certain assets of the stockwatch and shareholder intelligence division of Corporate Investor Communications, Inc., effective 1 January 2000. Initial consideration was US\$1,900,000 in cash and a maximum deferred consideration of US\$2,600,000 is payable in cash subject to future financial performance. Goodwill arising on the acquisition is not amortised as the directors consider that the acquired business, which is a leading provider of ownership identification and analysis for public companies in the US, will indefinitely enhance the quality and profitability of the Group's investor relations operations.

On 30 June 1999, the Group acquired the 10% minority interest in its subsidiary Westminster Europe Limited, for cash consideration of £7,000. On 29 February 2000, the Group acquired the 49% minority interest in its subsidiary, Newbridge Partnership Limited, for cash consideration of £25,000.

The total cost of these acquisitions amounted to £8,191,000 including £7,796,000 of consideration, comprising £6,347,000 of cash and £1,449,000 of shares, and £395,000 of acquisition costs.

27 Acquisitions (continued)

The aggregated book values and fair values of assets and liabilities acquired as a result of these acquisitions were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Tangible fixed assets	237	–	237
Debtors	222	(2)	220
Net cash at bank and in hand	16	–	16
Creditors	(207)	–	(207)
Minority interests acquired	16	–	16
	284	(2)	282
Goodwill			7,909
Total cost			8,191

All fair values are provisional awaiting final determination of the balances acquired.

Goodwill arising on all acquisitions in the year has been capitalised (note 12).

Cash flow

The cash flow during the year in relation to acquisitions was as follows:

	SEA acquisition £'000	Other acquisitions £'000	Total £'000
Purchase of subsidiary undertakings	–	(1,629)	(1,629)
Purchase of businesses	–	(1,897)	(1,897)
Net cash acquired with subsidiary undertakings and businesses	6,227	16	6,243
Net cash inflow/(outflow)	6,227	(3,510)	2,717

The cash flow in respect of other acquisitions includes outflows of £639,000 within purchase of subsidiary undertakings and £37,000 within purchase of businesses relating to acquisitions made before 1 March 1999.

28 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group				
Operating leases which expire:				
within one year	730	46	267	92
within two to five years	819	140	1,639	243
after five years	2,791	20	1,963	–
	4,340	206	3,869	335
Company				
Operating leases which expire:				
within one year	159	–	159	–
within two to five years	–	–	182	–
	159	–	341	–

29 Contingencies**Deferred consideration**

Under the terms of certain acquisition agreements, additional consideration is payable by the Company and certain of its subsidiary undertakings contingent on performance. The estimated amount of such contingent consideration is accrued for in creditors or included in shares to be issued.

Guarantees

In connection with the Group's banking agreements with Lloyds TSB Bank plc (note 17), the Company and certain of its UK subsidiary undertakings have entered into debenture and composite arrangements. Citigate Inc. has also entered into a separate security agreement with Lloyds TSB Bank plc.

30 Related party transactions

In relation to acquisitions in the current and prior years, the Group paid cash consideration of £1,392,000 and issued 3,706,332 new ordinary shares in aggregate to the following individuals who, as directors of the Company or its principal subsidiaries, are deemed related parties: M Amdur, S Bushe, X Colmant, A Demuth, R Gibson, N Greening, P Kraus, W Küsters, E Lee Kia Jong, I Liddell, E Lim, B Meising, C Miller, G Perry, W Peters, A Robin, P Simmons, A Simpson, E Spiess, A Thomas, D Tuke-Hastings. In addition, a maximum further consideration of £1,910,000 and 2,417,596 new ordinary shares (based on the share price of Incepta Group plc as at 29 February 2000) is payable in aggregate to certain of these individuals.

The Group and its associates during the year carried out consultancy work on behalf of each other's clients. Aggregate amounts included in turnover and cost of sales in the consolidated profit and loss account in respect of these transactions were as follows:

	Turnover £'000	Cost of sales £'000
Citigate Dewe Rogerson GmbH	704	(283)
Capital Communications Kft	1	-
NBS Spolka z.o.o.	94	(14)

As detailed in note 27, Citigate Dewe Rogerson GmbH became a wholly owned subsidiary of the Group on 29 February 2000. There were balances of £nil and £74,000 respectively due from the Group's two remaining associates, Capital Communications Kft and NBS Spolka z.o.o., as at 29 February 2000.

There were no further related party transactions during the year.

31 Subsequent events**Acquisition of Sard Verbinen**

On 14 April 2000, the Group acquired the whole of the issued share capital of Sard Verbinen, a financial public relations agency and mergers and acquisitions adviser in the US. A total of 31.76 million shares were issued in relation to the acquisition. Initial consideration was US\$58.0 million, comprising US\$29.0 million in cash, by means of a vendor placing of 15.88 million ordinary shares at 115p per share, and 15.88 million new ordinary shares. Further consideration up to a maximum of US\$92.0 million is payable in shares depending on future financial performance.

Other acquisitions

On 27 March 2000, the Group acquired two London based on-line investor relations companies: MARCHCom.co.uk Limited and CAROL Limited. MARCHCom specialises in integrated corporate and investor communications via the Internet. CAROL is a leading on-line annual report service, providing access to annual reports for companies throughout Europe, Asia and the US. Maximum total consideration payable is £8.0 million subject to future financial performance.

On 30 March 2000, the Group acquired the business and assets of Ballard & King Communications, one of the leading IT public relations consultancies in South Africa. The Group paid initial consideration of Rand 4.0 million. The maximum consideration payable is Rand 10.0 million subject to future financial performance.

On 7 April 2000, the Group acquired Smarts Advertising and Design Limited, a leading advertising and design agency in Scotland. A total consideration of £2.5 million was paid.

Placing of shares

In April 2000, the Group raised £19.0 million by way of a placing with institutions of 16,551,900 shares at 115p per share.

32 Principal subsidiary undertakings and associates

Subsidiary undertakings at 29 February 2000

Name	Country of incorporation/ principal operation	Class of business
Citigate Dewe Rogerson Limited	England	Public Relations
Citigate Technology ¹		
Citigate Westminster Limited		
Citigate Public Affairs ²		
Citigate Albert Frank Limited	England	Advertising
Park Avenue Productions plc	England	Marketing Services
Yellow Line ³		
TEAM LGM Limited		
Citigate Lloyd Northover Limited	England	Design & Branding
Citigate Publishing Limited		Publishing
Incepta Holdings GmbH	Germany	Holding Company
SEA Spiess Ermisch & Andere Werbeagentur GmbH	Germany	Advertising
SEA Dewe Rogerson GmbH		Public Relations
Alexander Demuth GmbH		Public Relations
		Advertising
		Design & Branding
Park Avenue Productions GmbH	Germany	Marketing Services
Citigate Inc	USA	
Citigate Albert Frank ⁴		Advertising
Citigate Bass Yager ⁴		Design & Branding
Citigate Dewe Rogerson Inc	USA	Public Relations
Citigate Asia Limited	Hong Kong	
Citigate Dewe Rogerson ⁵		Public Relations
Citigate Lloyd Northover ⁵		Design & Branding
Citigate Window Creative Limited	Hong Kong	Advertising
Citigate Dewe Rogerson i.MAGE (Pte) Ltd	Singapore	Public Relations
Citigate Singapore (Pte) Limited	Singapore	Design & Branding
Citigate Dewe Rogerson Communications Private Limited	India	Public Relations
Citigate Scotland Limited	Scotland	Public Relations
		Design
Citigate Northern Ireland Limited	Northern Ireland	Public Relations
		Design
Citigate South Africa (Pty) Limited	South Africa	Public Relations
		Advertising
		Design
Incepta Holdings Limited	England	Holding Company
Citigate.com Limited		

¹ Trades as a division of Citigate Dewe Rogerson Limited

² Trades as a division of Citigate Westminster Limited

³ Trades as a division of Park Avenue Productions plc

⁴ Trades as a division of Citigate Inc

⁵ Trades as a division of Citigate Asia Limited

Associates at 29 February 2000

Name	Country of incorporation/ principal operation	Class of business
Capital Communications Kft	Hungary	Public Relations
NBS Spolka z.o.o.	Poland	Public Relations

All of the above subsidiary undertakings are wholly owned with the exception of Alexander Demuth GmbH (80.2% owned) and Citigate Window Creative Limited (85% owned) and all interests are held indirectly with the exception of Park Avenue Productions plc, Citigate Dewe Rogerson i.MAGE (Pte) Limited, Citigate Dewe Rogerson Communications Private Limited, Incepta Holdings Limited and Incepta Holdings GmbH, which are owned directly by the Company.

All subsidiary undertakings and associates have financial year ends which are coterminous with that of Incepta Group plc with the exception of SEA Spiess Ermisch & Andere Werbeagentur GmbH, Capital Communications Kft and NBS Spolka z.o.o. which have 31 December year ends, and SEA Dewe Rogerson GmbH which has a 31 March year end.

The Group is committed to high standards of corporate governance.

The board is accountable to the Company's shareholders for good governance and this statement describes how the relevant principles of governance are applied to the Company. Throughout the year the Company has been in compliance with the provisions set out in Section 1 of the Combined Code for Corporate Governance issued by the London Stock Exchange. The Combined Code is a combination of recommendations of three committees formed to evaluate and report on corporate governance within UK industry, in particular UK listed companies.

Board of directors

The board of directors currently consists of seven members, three of whom are non-executive, who meet regularly throughout the year and retain full and effective control over the Company. Each board member receives monthly trading results, including a comprehensive review and analysis. Prior to each board meeting, directors are sent an agenda and a full set of board papers for each agenda item to be discussed at the meeting. Additional information is provided as appropriate. All of the major decisions affecting the Group are made by the board including those relating to corporate strategy, operating policy, board appointments and all investment decisions. Board meetings follow a formal agenda of matters specifically reserved for decision by the board.

The composition and effectiveness of the board is reviewed regularly, particularly with regard to the skills and experience required of the executive and non-executive directors in relation to the Group's businesses. This review concentrates on experience, age and term of service and maintaining the balance between executive and non-executive directors. Both executive and non-executive directors have a wide range of knowledge and experience which they contribute to the board's deliberations. Biographies of the directors and their membership of the board and its committees are shown against the individual directors' names on page 35.

The board's current policy on the roles of the chairman and chief executive is that the positions should be held by separate individuals and that the role of chairman should be non-executive.

Any director who is appointed during the year is required to stand for election at the first Annual General Meeting after his appointment. In addition, one third of all directors are required to retire by rotation at each Annual General Meeting of the Company.

Non-executive directors

The Company has three independent non-executive directors, Bob Morton, Neil Mackay and Charles Good, who all attend monthly board meetings and are all members of the Company's Audit Committee and Remuneration Committee. With their different backgrounds, they bring a wide range of experience and expertise to the Company's affairs and provide independent judgement on key issues of strategy, performance and resources, including key appointments and standards of conduct. Each of the non-executive directors has a signed letter of appointment terminable by either party on six months' notice to expire at any time.

Board committees

Certain of the board's duties are delegated to committees of the board, whose responsibilities and composition are as follows:

The Audit Committee ensures that an objective and professional relationship is maintained with the external auditors. It comprises wholly the three non-executive directors under the chairmanship of Bob Morton. The Group Finance Director is invited to attend part of each meeting. The Committee meets twice a year to discuss accounting, audit and internal control matters, as well as reviewing the financial statements and compliance with accounting standards. The external auditors may request a meeting at any time and one of their representatives is present at all meetings. There is provision for the external auditors to discuss any concerns they may have with the Committee in the absence of management if necessary.

The Remuneration Committee meets at least twice a year to review the remuneration packages and service contracts of the directors and certain senior executives. The Committee is also responsible for administering the Company's share option scheme. It comprises wholly the three non-executive directors under the chairmanship of Bob Morton.

The Nomination Committee meets as necessary and is responsible for reviewing and making proposals to the board on the appointment of directors. The Committee consists of Bob Morton, Neil Mackay and David Wright and is chaired by Bob Morton.

The members of all committees are able, where appropriate, to secure the assistance of outside professional advice. Each Committee operates within defined terms of reference.

Relationship with institutional investors

The Company has designated David Wright and Richard Nichols as its principal spokespersons with institutional investors, analysts, press and other interested parties.

Relationship with private investors

The board recognises that not all the Company's private investors have regular access to market information. All shareholders are sent copies of Annual and Interim Reports and, where appropriate, circulars and prospectuses and are given notice to enable them to attend the Company's Annual General Meeting. Shareholders whose shares are held by nominees may receive copies of such communications upon request.

Additionally, the Company has an Internet web site, www.incepta.com, on which it publishes its Annual and Interim Reports, press releases and other such information concerning the Company's business and development and which enables information on the Company to reach a greater number of investors worldwide.

Internal financial controls

For the year ending 29 February 2000, the Group continued to apply the London Stock Exchange's transitional arrangements for compliance with the internal control requirements of the Combined Code. Accordingly, we report below only on internal financial controls.

Control environment

An environment of competence and integrity is promoted by way of stringent recruitment procedures, regular staff appraisals and communication of codes of conduct and control procedures by senior management across the Group. A clear group organisational structure is maintained with appropriate lines of reporting and delegation of authority.

Financial reporting

The Group operates a comprehensive financial reporting system. Detailed annual budgets are prepared by operating units, reviewed by Group Finance and approved at subsidiary board meetings. The overall Group budget is reviewed and approved by the board. Operating units complete standard monthly reporting packages which compare actual and forecast results together with cash flows against budget and prior year. Performance is discussed at monthly subsidiary board meetings and consolidated actual and forecast results by operating unit are reviewed and discussed by the board each month.

Control procedures

Detailed internal financial control procedures are set out for operating units. Self-certification control questionnaires are completed by the head of finance at each operating unit and are reviewed by Group Finance and the results are reported to the Audit Committee.

Monitoring system

The effectiveness of the system of internal financial control is reviewed on an ongoing basis by the Audit Committee, which receives a report from the Group Finance team at each meeting.

The directors are satisfied that procedures necessary to implement the "Turnbull" guidance and thereby ensure full compliance with the internal control requirements of the Combined Code have been in place since 1 March 2000.

Going concern

The directors have reviewed the Group's budget and cash flow for the year to February 2001 and considered outline plans for the Group thereafter. The directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Incepta Group has established a Remuneration Committee to address all matters relating to the remuneration of its key executives.

The constitution and responsibility of the Remuneration Committee

The Remuneration Committee's principal function is to determine the remuneration packages of the executive directors and certain other senior executives of the Group. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. No executive director may participate in decisions regarding his own remuneration.

The Committee also makes recommendations to the board concerning the allocation of share options to employees.

The Committee consists solely of non-executive directors, Bob Morton (Chairman), Neil Mackay and Charles Good. The Committee has access to professional advice as and when it considers it necessary.

Remuneration policy

In determining remuneration packages, the Remuneration Committee has regard to the importance of attracting, retaining and motivating executive directors of the highest calibre as well as linking reward to the Group's performance.

Within this context, the Committee has developed remuneration packages which provide a competitive base salary combined with incentive arrangements linked to challenging performance targets. The interests of the executive directors are aligned with those of shareholders.

Remuneration packages

Basic salary and benefits in kind

Basic salary and benefits are normally determined on an annual basis, currently 1 March, after considering the individual's performance, responsibilities and market trends. Particular regard is paid to salary levels in companies of a comparable size, sector and performance. Benefits may include life assurance, permanent health and private medical insurance. The value of benefits is not pensionable.

Performance related bonus

The executive directors may be awarded an annual cash bonus up to a maximum of annual basic salary, which is not pensionable, providing an incentive to achieve short-term performance targets related to earnings per share growth. In addition, the Committee may also award individual discretionary bonuses.

For the year under review, discretionary bonuses were paid in relation to the Group's investment and subsequent disposal of its stake in Lopex plc, generating an exceptional gain of £10,983,000. In addition, the executive directors were awarded bonuses on meeting EPS growth targets for the year. Anthony Carlisle also received a bonus relating to the performance of the consulting division of Citigate Dewe Rogerson.

Pensions

Pension contributions are made to the executive directors' pension plans. David Wright, Kevin Steeds and Richard Nichols currently participate in a company money purchase pension plan, managed through Allied Dunbar. The Company contributes 10% of annual salary to the pension plan. The Committee allows each director, at his own discretion, to make a salary sacrifice to increase his pension contribution by transferring part of his annual salary into the money purchase pension plan. Anthony Carlisle receives 20% of annual salary, which is paid into his personal pension scheme arrangements.

Share options

The Committee decided to award share options to Richard Nichols in May 1999 in order to provide him with a competitive remuneration package and secure his services to the Group. Other share options awarded during the year have been directed towards the key executives in the core operating subsidiaries, maintaining the commitment to the philosophy of wide and deep share ownership across the Group.

The executive directors are entitled to participate in the Incepta Group Savings Related Share Option Scheme.

In April 1995, Citigate awarded certain share options to Kevin Steeds under the Citigate Communications Group Limited Approved Executive Share Option Scheme. Following the acquisition by Incepta, Kevin Steeds accepted a replacement option proposal in which the original option was cancelled and replaced by one approved and one un-approved share option plan.

Service contracts

David Wright and Kevin Steeds both have service agreements with the Company terminable by either party giving to the other not less than twelve months' written notice. On 19 March 1999, Richard Nichols entered into a new service agreement with the Company, terminable by either party giving to the other not less than six months' written notice expiring on or at any time after 30 June 2001. Anthony Carlisle has an agreement with the Company terminable by either party giving to the other not less than twelve months' written notice expiring on or at any time after 30 September 2001.

Outside appointments

The Group expects that executive directors will operate under full time service contracts and would not normally accept appointments outside of the Group. It is recognised, however, that provided the time commitment is limited, a non-Group appointment may broaden the management experience of the executives concerned. Any such appointment would require the approval of the Committee and it would be expected that any payment for such services would be retained by the executive.

Non-executive directors

The executive directors are responsible for setting the non-executive directors' fees. All non-executive directors have signed a letter of appointment terminable by either party on six months' notice to expire at any time.

Directors' remuneration and interests

for the year ended 29 February 2000

Remuneration Packages

The remuneration of each director for the year ended 29 February 2000 was as follows:

		Basic salary/ fees £	Bonus £	Pension contributions £	Cash value of benefits in kind £	Exceptional item (bonus) £	Total emoluments 2000 £	Total emoluments 1999 £
Executive								
David Wright	(1)	216,667	112,500	21,667	1,606	225,000	577,440	263,500
Richard Nichols	(2)	131,250	75,000	13,125	-	150,000	369,375	78,713
Anthony Carlisle	(3)	250,000	200,000	50,000	1,796	-	501,796	176,203
Kevin Steeds	(4)	148,333	75,000	14,833	1,027	100,000	339,193	210,052
Non-executive								
Bob Morton	(5)	22,500	-	-	-	-	22,500	20,000
Neil Mackay		16,500	-	-	-	-	16,500	15,000
Charles Good		16,500	-	-	-	-	16,500	15,000
Total							1,843,304	778,468

- (1) David Wright was the highest paid director for the year under review. Under his service contract he was initially paid an annual salary of £175,000 in the period to 1 May 1999, which was then increased to £225,000. The Company also contributed 10% of annual salary to the executive's pension plan. Under the salary sacrifice arrangements in place, he elected to direct 6.2% of his annual salary to his pension.

David Wright was awarded a discretionary bonus of £225,000 on 8 September 1999, in relation to the Group's investment in and subsequent disposal of its stake in Lopex plc (note 8). As at 29 February 2000, he was awarded an additional bonus of £225,000, based on the Group's financial performance for the year, but he elected to waive half this amount.

- (2) Richard Nichols, under his service contract, was paid an annual salary of £105,000 in the period to 1 April 1999, which was then increased to £120,000 and then again to £135,000 with effect from 1 May 1999. The Company also contributed 10% of annual salary to the executive's pension plan.

Richard Nichols was awarded a discretionary bonus of £150,000 on 8 September 1999 in relation to the Group's investment in and subsequent disposal of its stake in Lopex plc (note 8). As at 29 February 2000, he was awarded an additional bonus of £150,000, based on the Group's financial performance for the year, but he elected to waive half this amount.

It is noted that he joined the board on 1 September 1998. Accordingly, the information in the above table for the prior year reflects only 6 months of his actual annual remuneration.

- (3) Anthony Carlisle, under his service contract, was paid an annual salary of £250,000 in the period to 29 February 2000. The Company also contributed 20% of annual salary to the executive's pension plan.

Anthony Carlisle was also awarded a bonus of £200,000 in relation to his performance for the consultancy division of Citigate Dewe Rogerson in the period.

It is noted that he joined the board on 19 October 1998 and accordingly, the information in the above table for the prior year reflects only 4½ months of his actual annual remuneration.

- (4) Kevin Steeds, under his service contract, was initially paid an annual salary of £140,000 in the period to 1 May 1999, which was then increased to £150,000. The Company also contributed 10% of annual salary to the executive's pension plan. Under the salary sacrifice arrangements in place, he elected to direct 5.0% of his annual salary to his pension.

Kevin Steeds was awarded a discretionary bonus of £100,000 on 8 September 1999 in relation to the Group's investment in and subsequent disposal of its stake in Lopex plc (note 8). As at 29 February 2000, he was awarded an additional bonus of £150,000 based on the Group's financial performance for the year, but he elected to waive half this amount.

- (5) In their capacity as non-executive directors to the Group, Bob Morton, Neil Mackay and Charles Good receive annual fees of £25,000, £18,000 and £18,000 respectively, having been increased from £20,000, £15,000 and £15,000 respectively with effect from 1 September 1999.

Directors' remuneration and interests (continued)

for the year ended 29 February 2000

Shareholdings

The directors in service at 1 March 1999 and who served during the year held interests in the ordinary share capital of the Company as follows:

	As at 1 March 1999	As at 29 February 2000	As at 2 May 2000
Executive			
David Wright	10,290,028	10,490,028	10,490,028
Richard Nichols	675,000	800,000	800,000
Anthony Carlisle	12,765,979	12,765,979	12,765,979
Kevin Steeds	3,773,397	3,773,397	3,773,397
Non-executive			
Bob Morton	12,000,000	12,000,000	12,000,000
Neil Mackay	508,181	508,181	508,181
Charles Good	4,752,256	4,752,256	4,752,256

The above shareholdings were all beneficially held except for 2,109,276 ordinary shares attributable to Charles Good and 192,034 ordinary shares attributable to Neil Mackay which were non-beneficially held. Included in the holding of Bob Morton are 2,500,000 shares held by Southwind Limited, an investment company which is ultimately owned by a trust established by Mr Morton for the benefit of his children.

None of the directors has any other interest in the shares of the Company or its subsidiaries.

The directors' interests in share options under the Company's share option schemes are included in the tables below:

Incepta Group plc Employee Share Option Scheme

The Incepta Group plc Employee Share Option Scheme was established on 4 November 1988 for a term of 10 years.

Accordingly, no further options have been granted under the Scheme during the current financial year. The table below summarises all outstanding options currently issued under the scheme.

	Held on 1 March 1999	Exercised during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Exercise price per share	Exercisable between
Directors							
Richard Nichols	120,000	—	—	120,000	120,000	21.40p	29 October 2000-2007
Employees							
Total by	375,000	—	—	375,000	375,000	15.67p	8 October 1994-2001
exercise price	250,000	—	—	250,000	250,000	24.50p	5 July 1996-2003
	140,000	—	—	140,000	140,000	31.00p	1 September 1996-2003
	40,000	—	—	40,000	40,000	12.50p	31 January 1998-2005
	220,000	(220,000)	—	—	—	10.50p	27 December 1998-2005
	2,100,000	(400,000)	—	1,700,000	1,700,000	10.50p	5 January 1999-2006
	146,000	—	—	146,000	146,000	20.50p	18 July 1999-2006
	1,240,000	—	(235,000)	1,005,000	1,005,000	21.40p	29 October 2000-2007
Total	4,631,000	(620,000)	(235,000)	3,776,000	3,776,000		

Incepta Group plc Executive Share Option Plan

The Incepta Group plc Executive Share Option Plan was established by the Company at its Annual General Meeting on 3 July 1998, for a term of 10 years. The table below summarises all outstanding options currently issued under the plan.

	Held on 1 March 1999	Granted during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Exercise price per share	Exercisable between
Directors							
Richard Nichols	—	1,000,000	—	1,000,000	1,000,000	24.50p	4 May 2002-2009
Employees							
Total by	1,400,000	—	(575,000)	825,000	825,000	23.25p	22 September 2001-2008
exercise price	—	2,425,000	(250,000)	2,175,000	2,175,000	24.50p	4 May 2002-2009
	—	2,185,000	—	2,185,000	2,185,000	55.50p	12 October 2002-2009
	—	200,000	—	200,000	200,000	100.50p	25 January 2003-2010
Total	1,400,000	5,810,000	(825,000)	6,385,000	6,385,000		

Directors' remuneration and interests (continued)

for the year ended 29 February 2000

The Group is committed to a philosophy of wide and deep share ownership. As such, the Group has introduced a Savings Related Share Option Scheme in each of the last two years to enable every employee to participate in the growth of the Group. The tables below summarise the current options issued and outstanding under each of the two schemes.

Incepta Group plc 1998 Savings Related Share Option Scheme

	Held on 1 March 1999	Exercised during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Exercise price per share	Exercisable between
Directors							
David Wright	38,240	—	—	38,240	38,240	15.20p	1 January – 30 June 2002
Richard Nichols	38,240	—	—	38,240	38,240	15.20p	1 January – 30 June 2002
Kevin Steeds	38,240	—	—	38,240	38,240	15.20p	1 January – 30 June 2002
Employees							
Total by exercise date	2,108,278	(6,709)	(170,467)	1,931,102	1,915,806	15.20p	1 January – 30 June 2002
	12,746	—	—	12,746	12,746	15.20p	1 February – 31 July 2002
	8,922	—	—	8,922	8,922	15.20p	1 May – 31 October 2002
	7,648	—	—	7,648	7,648	15.20p	1 July – 31 December 2002
	133,625	(4,843)	(19,408)	109,374	109,374	15.20p	1 January – 30 June 2001
Total	2,385,939	(11,552)	(189,875)	2,184,512	2,169,216		

Incepta Group plc 1999 Savings Related Share Option Scheme

	Granted during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Exercise price per share	Exercisable between
Directors						
David Wright	5,771	—	5,771	5,771	47.00p	1 January – 30 June 2003
Richard Nichols	5,771	—	5,771	5,771	47.00p	1 January – 30 June 2003
Kevin Steeds	5,771	—	5,771	5,771	47.00p	1 January – 30 June 2003
Employees						
Total by exercise date	189,178	(4,490)	184,688	183,604	47.00p	1 January – 30 June 2002
	1,544,721	(39,984)	1,504,737	1,493,195	47.00p	1 January – 30 June 2003
Total	1,751,212	(44,474)	1,706,738	1,694,112		

In addition, certain former directors and employees of Citigate Communications Group Limited hold share options over the Company's shares under a separate scheme. The replacement option schemes resulted from options originally held under the Citigate Communications Group Limited Approved Executive Share Option Scheme and sought to place each option holder in a similar position to that which they were in before the acquisition by Incepta. The shares in Incepta Group plc, over which these options have been granted, are already issued and are held by the Citigate Employee Share Trust. The tables below summarise the current options outstanding under these two schemes.

Citigate Communications Group Limited Approved Executive Share Option Scheme

	Held on 1 March 1999	Exercised during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Exercise price per share	Exercisable between
Directors							
Kevin Steeds	216,098	—	—	216,098	216,098	4.86p	25 April 1998-2005
Employees							
Total	1,166,927	(637,488)	(64,829)	464,610	464,610	4.86p	25 April 1998-2005
Total	1,383,025	(637,488)	(64,829)	680,708	680,708		

As a result of the deferred consideration payable under the acquisition of Citigate Communications Group Limited, the Citigate Employee Share Trust also issued the following un-approved share options on 1 July 1998. The un-approved options may be exercised after 31 January 1999 and only if there has been no exercise prior to 1 February 1999 of the approved replacement option as detailed above.

Citigate Communications Group Limited Un-Approved Executive Share Option Scheme

	Held on 1 March 1999	Exercised during the year	Lapsed during the year	Held on 29 February 2000	Held on 2 May 2000	Total exercise price	Exercisable between
Directors							
Kevin Steeds	110,505	—	—	110,505	110,505	£1	1 February 1999-1 July 2005
Employees							
Total	558,045	(287,310)	(33,150)	237,585	237,585	£1	1 February 1999-1 July 2005
Total	668,550	(287,310)	(33,150)	348,090	348,090		

Five year financial information

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Profit and loss					
Turnover	173,409	113,773	88,171	16,819	26,142
Gross profit (gross revenue)	77,190	50,130	33,887	6,488	9,042
Total operating profit: Group and share of associates	14,193	8,287	5,776	1,584	812
Income from other fixed asset investment	163	116	28	-	-
Exceptional items	9,763	(1,459)	-	-	698
Net interest (payable)/receivable	(323)	(682)	(193)	27	(149)
Profit on ordinary activities before tax	23,796	6,262	5,611	1,611	1,361
Tax on profit on ordinary activities	(6,866)	(1,905)	(1,697)	(621)	(355)
Profit on ordinary activities after tax	16,930	4,357	3,914	990	1,006
Minority interests	(17)	(34)	(30)	(374)	(254)
Profit attributable to Group shareholders	16,913	4,323	3,884	616	752
Dividend	(1,968)	(1,381)	(773)	-	-
Profit for the financial year transferred to reserves	14,945	2,942	3,111	616	752
Balance sheet					
Fixed assets	82,978	39,471	5,251	909	959
Net current assets/(liabilities)	2,952	(2,850)	(1,290)	395	(449)
Creditors: amounts falling due after more than one year	(23,754)	(12,794)	(5,580)	(2,500)	-
Provisions for liabilities and charges	(530)	-	-	(16)	(30)
Net assets/(liabilities)	61,646	23,827	(1,619)	(1,212)	480
Equity shareholders' funds	61,555	23,728	(1,621)	(1,212)	138
Minority interests (equity)	91	99	2	-	342
Total equity capital employed	61,646	23,827	(1,619)	(1,212)	480
Net funds/(debt)	10,411	(13,527)	(2,570)	(1,215)	170
Cash flow					
Group operating profit	12,365	6,654	5,761	1,584	812
Depreciation	2,351	1,643	1,230	197	333
Other non-cash items and working capital	(2,086)	(1,325)	(1,113)	389	(38)
Cash flow from operating activities	12,630	6,972	5,878	2,170	1,107
Dividends received from associates	410	-	57	-	-
Returns on investments and servicing of finance	(277)	(481)	(75)	(309)	(201)
Taxation	(3,723)	(3,047)	(1,245)	(474)	(195)
Capital expenditure and financial investment	13,126	(2,213)	(1,067)	(150)	(553)
Acquisitions and disposals	2,717	(10,916)	(6,548)	(122)	(1,197)
Equity dividends paid	(1,381)	(771)	-	-	-
Net cash inflow/(outflow) before financing	23,502	(10,456)	(3,000)	1,115	(1,039)
Shareholder information					
Basic earnings per share*	2.98p	2.19p	2.28p	0.93p	1.13p
Diluted earnings per share*	2.88p	2.06p	1.75p	0.90p	1.13p
Dividend per share	0.50p	0.42p	0.35p	-	-
Share price - high	172.50p	30.25p	26.25p	22.50p	14.00p
- low	19.50p	16.25p	18.50p	13.50p	6.50p

*before exceptional items and as restated for FRS14.

Group Information

If you would like further information about the Group, please visit our website, at www.incepta.com.

Investor Relations

Should you have any queries, please contact either Richard Nichols (Group Finance Director) or Debbie Slater (Investor Relations and Marketing Manager) on +44 (0)20 7282 2800. Alternatively, you can e-mail your enquiry to incepta@incepta.co.uk.

Share Price Information

In addition to information published in the financial pages of the press and that contained on the Incepta website, the latest price of the Incepta Group shares on the London Stock Exchange can be obtained in the UK from the FT Cityline service by telephoning 0906 843 1958. Calls are charged at 60p per minute at all times.

Shareholder Enquiries

The Company's share register is maintained by Harford Registrars, Harford House, 101-103 Great Portland Street, London, W1N 6LL (telephone +44 (0)20 7637 9523). Please contact them if you have enquiries about your Incepta Group shareholding, including those concerning change of name or address, loss of share certificate, dividend warrant or tax voucher.

Registered Office and Group Headquarters

3 London Wall Buildings
London Wall
London
EC2M 5SY
Telephone: +44 (0)20 7282 2800

Analysis of shareholders as at 29 February 2000

Size of shareholding	Shareholders		Ordinary shares	
	Number	%	Number	%
1 – 2,000	659	33.2%	685,876	0.2%
2,001 – 10,000	637	32.1%	3,464,573	1.0%
10,001 – 100,000	449	22.6%	16,303,013	4.9%
100,001 – 1,000,000	173	8.7%	56,684,068	17.0%
1,000,001 and over	66	3.4%	256,419,917	76.9%
	1,984	100%	333,557,447	100%

Financial Calendar 2000

2 May 2000	Announcement of final results
8 May 2000	Ex-dividend date for final dividend
12 May 2000	Record date for final dividend
7 July 2000	Annual General Meeting
17 July 2000	Final dividend paid
Mid October 2000	Announcement of half year results to 31 August 2000

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Incepta Group plc will be held at 3 London Wall Buildings, London, EC2M 5SY on 7 July 2000 at 12 noon for the transaction of the following business:

Ordinary Business

Resolution 1

That the directors' report and financial statements of the Company for the year ended 29 February 2000 be received and adopted.

Resolution 2

To declare a final dividend of 0.50 pence net per ordinary share.

Resolution 3

To re-elect ALR Morton as a director of the Company, who retires by rotation in accordance with the Articles of Association.

Resolution 4

To re-elect KB Steeds as a director of the Company, who retires by rotation in accordance with the Articles of Association.

Resolution 5

To re-appoint PricewaterhouseCoopers as auditors of the Company to hold office until the next General Meeting at which the accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

Resolution 6

That the authorised share capital of the Company be increased from £4,419,550 to £6,100,000 by the creation of 168,045,000 ordinary shares of 1 pence each to rank *pari passu* in all respects with the existing ordinary shares of 1 pence each of the Company.

Explanation to Resolution 6

This resolution, which will be proposed as an ordinary resolution, will increase the Company's authorised share capital. Institutional guidelines effectively provide that the Company should restrict the amount of "headroom" (i.e. the difference between its authorised and issued share capital) to one third of the Company's issued share capital. The free "headroom" currently available to the Company has now been reduced (by the grant of options and contingent obligations entered into by the Company to satisfy deferred consideration payable in respect of acquisitions by the allotment of shares in the Company). The directors therefore now wish to take this opportunity to increase the authorised share capital to create some new free "headroom". The resolution proposes an increase of the existing authorised share capital of approximately 38%.

Resolution 7

That the directors be and are hereby authorised to establish an all employee share plan ("the All Employee Plan") on terms which qualify for Inland Revenue approval pursuant to legislation to be enacted in the Finance Act 2000 and under which shares in the Company may be issued or purchased by the trustees of a UK resident trust for the benefit of employees and former employees of the Company and its subsidiaries ("the Group") using funds provided by members of the Group and/or employees of the Group (provided that the number of shares which may be issued, whether under that or any other employee share schemes in any period of 10 years shall not exceed 10 per cent of the ordinary share capital of the Company in issue from time to time) and the directors be and they are hereby authorised to do all such acts and things as may be necessary or desirable to carry the same into effect.

Resolution 8

Subject to the approval of the Inland Revenue, that the directors be and are hereby authorised to amend Rule 4.1 of the Incepta Group plc Executive Share Option Plan by deleting sub-rules 4.1(b)-(d) inclusive.

Resolution 9

That the rules of the Incepta Group plc Executive Long Term Incentive Plan which are summarised in the Appendix to the Chairman's letter, set out in the form of the draft document produced to the meeting and, for the purposes of identification signed by the Chairman of the meeting, be and are hereby approved and adopted.

Explanation of Resolutions 7, 8 and 9. Each of these resolutions will be proposed as an ordinary resolution

A separate letter from the Chairman explains the background to resolutions 7, 8 and 9. A summary of the principal features of the All Employee Plan and the Executive Long Term Incentive Plan appear in Appendix 1 and Appendix 2 to the Chairman's letter.

Resolution 10

That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, grant options over, deal with or dispose of any relevant securities (as defined in section 80(2) of the Act) to such persons, at such times and generally on such terms and conditions as the directors may determine up to an aggregate nominal amount of £2,164,477 provided that this authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, fifteen months after the passing of this resolution, or, if earlier, at the conclusion of the Annual General Meeting next following the passing of this resolution save that, before such expiry, the Company may make any offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the directors may allot relevant securities in pursuance of any such offer or agreement, and provided further that all unexercised authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

Explanation of Resolution 10

Resolution 10 which will be proposed as an ordinary resolution, would give the directors authority to allot shares up to a maximum nominal amount of £2,164,477 being the whole of the authorised but unissued share capital of the Company and representing 55% of the Company's current issued share capital. This amount of authority is required to provide the directors with flexibility to allot shares up to approximately one third of the Company's issued share capital in addition to allowing for the allotment of shares in respect of deferred consideration which may fall due pursuant to acquisitions and also on the exercise of warrants and options. The existing authority would be revoked and this authority would expire on the date of the 2001 Annual General Meeting or 6 October 2001, whichever is the earlier. Save as set out above, the directors have no present intention of exercising this authority.

Resolution 11

That subject to the passing of Resolution 10, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the general authority conferred on them by Resolution 10 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, to holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in any territory; and

Notice of Annual General Meeting (continued)

(b) the allotment (otherwise than pursuant to paragraph (a) above) of securities up to an aggregate nominal amount of £196,776

and shall expire, unless previously renewed, revoked or varied by the Company in general meeting, at such time as the general authority conferred on the directors by Resolution 10 expires save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the directors may allot equity securities in pursuance of any such offer or agreement.

Explanation of Resolution 11

Resolution 11 will be proposed as a special resolution and would renew the power of the directors to allot shares for cash as though the rights of pre-emption conferred by section 89(1) of the Companies Act 1985 did not apply:

- (a) in respect of the whole of the authorised but unissued share capital in connection with an offer to existing shareholders (to allow the directors to take action to overcome certain practical difficulties which could arise in the case of such an offer), and
- (b) up to a nominal amount of £196,776, being 5% of the current issued share capital of the Company (to give the directors some flexibility in financing business opportunities as they arise).

This power would expire on the date of the 2001 Annual General Meeting or 6 October 2001, whichever is the earlier.

Resolution 12

That the Company be and is hereby unconditionally and generally authorised pursuant to Article 11.4 of the Articles of Association of the Company and in accordance with the provisions of section 166 of the Companies Act 1985 ("the Act"), to make market purchases (as defined in section 163 of the Act) of ordinary shares of 1 pence each in the capital of the Company provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 39,355,231;
- (b) the minimum price which may be paid for any such ordinary share is 1 pence per share;
- (c) the maximum price which may be paid for any such ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 % of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange on the ten business days immediately preceding the day on which any such ordinary share is contracted to be purchased; and
- (d) the authority hereby conferred shall expire on the date of the 2001 Annual General Meeting or 6 October 2001, whichever is the earlier (but so that this power shall enable the Company to make offers or agreements before the expiry of this authority which would or might require ordinary shares to be purchased by the Company after the expiry of this power).

Explanation of Resolution 12

In certain circumstances it may be advantageous for the Company to purchase its own shares. Resolution 12, which will be proposed as a special resolution, seeks authority from shareholders to do so, such authority to expire on the date of the 2001 Annual General Meeting or 6 October 2001, whichever is the earlier. The directors intend to exercise this power only if and when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be accordingly reduced.

This resolution specifies the maximum number of shares which may be acquired (being 10% of the Company's issued share capital as at 2 May 2000 of 393,552,311) and the maximum and minimum prices at which they may be bought.

The board unanimously recommends shareholders to vote in favour of Resolutions 1 to 12 above.

By order of the board

RS Nichols
Company Secretary

2 May 2000

Registered Office:
3 London Wall Buildings
London Wall
London
EC2M 5SY

Notes

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company. Returning the Form of Proxy will not prevent a shareholder from attending in person and voting at the meeting.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited with the Company's Registrars, Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 6LL not later than 12 noon on 5 July 2000 being 48 hours before the meeting.
3. In the case of a Corporation, the Form of Proxy should be under its Common Seal, or under the hand of an officer of the Corporation duly authorised in that behalf.
4. Copies of the following documents, which are available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturday and public holidays excepted) will also be available for inspection at the place of the Annual General Meeting from 9 a.m. on the day of the meeting until the conclusion of the meeting:
 - (a) copies of service contracts of the directors with the Company; and
 - (b) the register of interests of the directors (and their families) in the share capital of the Company.

Citigate Dewe Rogerson*London*

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To Keith Goodman

Company

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From Kerry Glover

Return fax 0207 638 7091

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Date 17/7/00

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Keith,

Exchange rate schedule as requested.



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Jill Bristow, Sandy Cheng, Michael Evans, Tony Finn,
Debi Fry, Marzban Hathiram, Carine Heng, Jean Ho,
John Hoskins, Fiona Hughes, Linda Joustra, Melita Kahl,
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Sandra Wright

From Kerry Goodman

Return fax 020 7 638 7091

Date 03/07/00

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1

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New Group Exchange Rates

Please could you use the rates below for translating any foreign currency denominated balances in your 30 June balance sheets and then for any inter-company transactions in July.

Group Exchange rates for 30 June 2000 Balance Sheets and inter-company sales during July:

Rates to the pound:

US dollar	1.51	Austrian Schilling	21.73
Rand	10.26	Belgian Franc	63.7
Hong Kong \$	11.80	French Franc	10.36
Singapore \$	2.62	Irish Punt	1.24
Deutsche Mark	3.09	Chinese RMB	12.55
Indian Rupee	67.63	Brazilian Real	2.73
Japanese Yen	160.2	Australian \$	2.52
Polish Zloty	6.62	Italian Lira	3058
Hungarian Forint	414.3		
Euro	1.58		

For inter-company transactions / balances between non-sterling currencies please use cross rates derived from the above i.e.:

HK\$ to Singapore \$ - 4.504	Yen to US\$ - 106.093
Rand to US dollar - 6.795	IR to US\$ - 44.788
HK\$ to US dollar - 7.815	HK\$ to RMB - 0.940
DM to US\$ - 2.046	SG\$ to US\$ - 1.735

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