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FINANCIAL STATEMENTS
2004

INCEPTA GROUP PLC
INTERNATIONAL MARKETING
& COMMUNICATIONS



|Incepta

54	Highlights	67	Consolidated Cash Flow Statement	93	Report of the Independent Auditors
56	Operational Review	68	Statement of Total Recognised Gains and Losses	94	Corporate Governance
62	Directors' Report	68	Reconciliation of Movements in Equity Shareholders' Funds	97	Remuneration Report
64	Consolidated Profit and Loss Account	69	Notes to the Financial Statements	106	Notice of Annual General Meeting
65	Consolidated Balance Sheet				
66	Company Balance Sheet				

OUR VISION IS TO BE THE WORLD'S
 MOST RESPECTED COMMUNICATIONS GROUP
 WITH THE MOST TALENTED PEOPLE
 WHO PRODUCE THE MOST LAUDED CAMPAIGNS
 WHICH DELIVER THE HIGHEST VALUE
 IN PARTNERSHIP WITH THE WORLD'S BEST BRANDS

Incepta. Creating a genuine
 business environment in which
 our Group companies'
 creativity, cleverness and passion
 can thrive.

FINANCIAL SUMMARY & STATUTORY RESULTS

Financial summary	2004	2003	Change %
Turnover	£244.6m	£251.0m	(3)
Gross income (gross profit)	£154.0m	£160.5m	(4)
Operating profit*	£14.6m	£19.4m	(25)
Profit before tax*	£11.6m	£16.9m	(31)
Diluted earnings per share*	4.45p	6.84p*	(35)
Dividend per share	1.0p	1.0p*	–
Cash inflow from operating activities**	£18.4m	£20.0m	(8)

Statutory results	2004	2003	Change %
Revenue	£182.1m	£188.2m	(3)
Gross income (gross profit)	£154.0m	£160.5m	(4)
Loss before tax	£(1.5)m	£(30.5)m	n/a
Diluted loss per share	(2.76)p	(33.83)p*	n/a
Cash inflow from operating activities	£13.6m	£14.4m	(6)

* before goodwill and exceptional items

** before exceptional items

* restated to reflect the impact of the capital raising and share consolidation in August 2003

We work for 17 of the top 20 global brands

We act for 68% of the FTSE 100

52% of the Eurotop 300 use our services

FINANCIAL HIGHLIGHTS

Stabilisation in our markets with gross income of £154.0 million

Operating profit* of £14.6 million impacted by weak economic conditions globally

Profit before tax* of £11.6 million, down 31% on last year

Financial strength substantially improved

- Successful £27.7 million capital raising
- 92% of earn-outs settled since February 2002

Strong cash generation; interest cover* of 5 times; significant headroom in committed facilities

OPERATIONAL HIGHLIGHTS

Marketing Services division performed well

Financial & Corporate Communications division maintains leading market position

Specialist Advertising division benefits from increased client spend in second half

55 wins and 29 commendations in major industry awards

New client wins include:

T-Mobile

Sainsbury's Bank

Saban Capital Group

Kwik-Fit

Halfords

Whitbread

Sony Music

Alcan

Eircom

Lever Fabergé

Franklin Templeton

Honda UK

28% of the Fortune 500 employ our expertise

Last year, our companies won 55 major industry awards

OPERATIONAL REVIEW

Whilst market conditions have remained difficult during the year, the Group has continued to demonstrate its market leading positions and the strength of its brands across its range of specialist communications disciplines.

The Group's market leading positions arise from its strengths in financial and corporate communications and marketing communications which have evolved in tandem with our clients' needs. The Group offers leading expertise and brands across an integrated range of twelve high value-added disciplines around the communications matrix. These disciplines are aggregated into three divisions for reporting purposes – Marketing Services, Financial & Corporate Communications and Specialist Advertising – and are offered throughout our businesses worldwide.

United Kingdom

The financial year was a year of contrasts. Our businesses, particularly those depending on corporate activity and investor confidence, were severely affected in the first quarter by the Iraq war. However, as the year progressed confidence began to return. Despite the difficult start to the year, Citigate Dewe Rogerson maintained its position as a leader in international financial and corporate communications. In recent months they have seen an increase in mergers and acquisitions and IPO related work, whilst on the corporate side, budgets have started to increase combined with more opportunities to pitch for new clients and projects.

On the mergers and acquisitions side, Citigate Dewe Rogerson advised on many high profile transactions, both in London and internationally, including Wm Morrison's acquisition of Safeway; Granada's merger with Carlton and the proposed merger of Securicor and Group 4 Falck; and the acquisition of Debenhams by Baroness Retail. Citigate Dewe Rogerson also represented Roman Abramovich's Millhouse Capital on its acquisition of Chelsea Village.

Cross-border work increased with high profile transactions such as the AngloGold and Ashanti Goldfields merger; the acquisition by Saban Capital Group of ProSieben, Germany's largest commercial broadcaster; assisting Iberdrola, Spain's second-largest electricity utility defeat a hostile bid from Gas Natural; and assisting Telefonica on its tender offer for Terra Networks.

Although IPO activity was at very low levels during the year, Citigate Dewe Rogerson represented Yell in the largest IPO in the London market for two years.

Citigate Dewe Rogerson responded to changes in the market place by refocusing its businesses. The investor relations and financial public relations practices were combined reflecting our clients' requirement for a more integrated approach to communications with institutional investors. The technology and corporate businesses were also merged to create a large corporate practice with over eighty clients. This gives Citigate Dewe Rogerson greater strength in corporate reputation management, issues management and business-to-business public relations. In the financial and corporate sectors, clients – such as Securicor and Kwik-Fit – are demanding communications programmes which encompass the full range of our corporate reputation building services.

Citigate Dewe Rogerson has continued to position itself as a thought leader in its industry. It produced 'Persuader', a very well-received and thought provoking magazine and established a programme of high level networking events, such as the CDR Aldwych Dinners. It also published the first Citigate Dewe Rogerson FTSE 100 CEO Brand Value Report, which ranked the best FTSE CEO communicators. Recognising that clients require specific industry experience and knowledge, Citigate Dewe Rogerson has formed fifteen sector specific teams ranging from healthcare, consumer and insurance, to software, support services and telecoms.

As recognition of the quality of their work, two Citigate Dewe Rogerson campaigns were finalists in the Financial and Business Marketing categories in the PR Week Awards. Citigate Dewe Rogerson was also nominated as PR Agency of the Year in both the Association of British Insurers and Headlinemoney awards.

Citigate Dewe Rogerson has continued to invest in talent to complement its sector approach and have added an experienced healthcare team and senior consultants in the consumer and retail sectors.

Citigate Public Affairs consolidated its position as a leading UK and EU public affairs agency, occupying second position in the UK by number of clients. It won a number of significant new clients during the year including the Coalition of Medical Charities, Freeserve, the John Lewis Partnership, Whyte & Mackay and Marlborough Sterling. During the year, Citigate Public Affairs won two awards in recognition of its work for the Association of Friendly Societies and Telford & Wrekin Council and it also entered into affiliation arrangements in Australia and New Zealand, Europe and the United States.

Citigate Communications in London continued to prosper following its creation through a merger of Citigate Westminster and Key Communications two years ago. Highlights included retaining the NHS Cancer Screening Programmes as a client with a new three year contract, working for the new inspector for the health service, the Healthcare Commission and promoting Holocaust Memorial Day for the Home Office.

The Citigate SMARTS Group was established in March 2003 as a market leading network of regional integrated agencies outside of London. This exciting initiative brought together the Citigate SMARTS offices in Edinburgh and Glasgow and the Citigate offices in Belfast, Leeds and Birmingham. In addition, a new Citigate SMARTS office was set up in Manchester during the year, offering public relations, advertising and design. In September, a leading creative consultancy, 19/20, merged with Citigate in Belfast in order to offer the Northern Irish market a fully integrated service.

This new regional network has already demonstrated the strength of its offering by winning the Your Communications public relations account, and integrated accounts for Invest Northern Ireland and Bavaria Beer. In Birmingham, Citigate SMARTS won business with Tarmac, Conoco Jet, The Government Office for West Midlands and the Red Routes Traffic scheme. The new Manchester office has already won work from several blue-chip clients including Ladbrokes, Stagecoach and Royal Mail, and also won a place on the COI Communications anti-drugs campaign roster. Key wins in Scotland included the Scotsman Newspaper advertising account and the public relations accounts for the National Museums of Scotland and Vimto.

Citigate SMARTS Scottish offices were the only agency to win multiple categories at the three main Scottish Awards schemes; the Scottish PR Awards, the Scottish Creative Advertising Awards and the Scottish IPA Effectiveness Awards. The Edinburgh office's integrated campaign for the mental health initiative, See Me, won seven awards during the year. The Belfast office topped four categories in the Northern Ireland PRIDE Awards and scooped the Grand Prix.

The year ended with the setting-up of a joint venture in Scotland with Citigate Albert Frank to tackle the Scottish financial advertising market, and the establishment of a Citigate SMARTS office in Dublin. Plans are already well advanced to enter the Dublin market with a consumer public relations offering and to further strengthen the design and advertising offering in Birmingham.

Citigate Albert Frank confirmed its position as the UK's leading agency specialising in the financial, corporate and charity markets, by winning new business from DWS and Deutsche Bank, HSBC, Franklin Templeton, Scope and Diabetes UK. The year saw reduced advertising spending by the investment industry overall although there were some signs of recovery towards the end of the year. Despite the poor market conditions, the agency's campaigns for New Star and Investec performed strongly, as did its award winning commercials for Investec Private Bank and Scottish Widows.

The RED Consultancy had another strong year, winning 36 new clients including Yellow Pages, 3M, Interflora, Disney, Intel and the launch of the Christmas campaign for Marks & Spencer. For the fourth time The RED Consultancy was awarded the much prized PR Week award for Consultancy of the Year, an unprecedented double as it is also the current holder of Marketing magazine's PR Agency of the Year. Building on its European credentials, December 2003 saw The RED Consultancy launch its first base in New York offering clients the full service model of creative consumer and corporate public relations.

Incepta Marketing Intelligence was officially launched in September 2003, following the merger of Citigate DVL Smith and Hauck Research. The agency immediately demonstrated its acknowledged thought leadership position, being voted UK Research Agency of the Year by Marketing magazine and being ranked for the first time in the top 10 UK ad-hoc research agencies by revenue. In January 2004, Incepta Marketing Intelligence opened its office in Shanghai to capitalise on the strong projected economic growth in this region. New key accounts for the year included Orange, Autodesk, Tate & Lyle and McKinsey's, with significant project wins from existing clients including Abbey, ICI, Marks & Spencer and Lloyds TSB.

Lloyd Northover had a successful year, building on strong relationships with public sector clients such as Companies House, the Department of Education and Skills, National Savings and Investments and the Welsh Development Agency. New commissions included branding and identity programmes for the Health Protection Agency, the University of Manchester and The Staffordshire. Whilst the corporate sector has remained generally weak, design and branding wins from clients such as Christian Salvesen, DTZ, Edexcel and Great Portland Estates contributed to Lloyd Northover's strong performance during the year.

Citigate Publishing has maintained its market position as one of the top three corporate publishing agencies in the UK, winning more accolades than any other agency at the industry awards, including awards for its work with Sainsbury's. It demonstrated continued growth in the retail and charity sectors and in its translation and online publishing work.

OPERATIONAL REVIEW

CONTINUED

Park Avenue has maintained its global reputation for creativity and implementation skills with a number of global product launches and brand experiences, including the world famous farewell to Concorde. Park Avenue also helped BT communicate their new dynamic offer, inspired 26,000 British Gas employees to 'do the right thing' and produced the innovative SKY summer big day out. In Europe, they continued to turn the world Orange with the impressive Eurostar lounges and brought London closer with a pan European campaign for British Airways. With Citigate SEA, they created a ground breaking 'fusion' customer and employee event for HSH Nordbank.

Karen Earl Sponsorship started the year working with RBS on their sponsorship of the exciting RBS Six Nations Rugby Championship. The consultancy continued its long association with Coca-Cola Great Britain, activating Coca-Cola's football sponsorship programme and Powerade's association with leading sportsmen, Steven Gerrard and Jason Robinson. The consultancy consolidated its relationship with clients such as Cable & Wireless Regional and Schick Wilkinson Sword, whilst its longest partnership came to an end in May when the Benson & Hedges International Open at The Belfry marked the end of tobacco-sponsored events in the UK.

Karen Earl Sponsorship also managed and publicised the Whitbread Book of the Year Award for the tenth time and has started work on the management of Easynet's support of the British Olympic Association for the next three years, which includes the Olympic Games in 2004 and the Winter Olympics in 2006.

As the world's leading brands scrutinise sponsorship, both to maximise connection with their customers but also the return on their investment, Redmandarin has been helping some of the world's best known brands to develop their sponsorship strategies. Philips has retained Redmandarin to develop a global brand sponsorship strategy and plan their sponsorship of the FIFA World Cup 2006. Redmandarin was retained by Getronics to negotiate their global sponsorship of Davis Cup tennis and also played a leading role in devising a new global sponsorship strategy for Orange. In Asia Pacific, Redmandarin continues to provide support to Visa in its sponsorship of the Asian PGA Tour and is developing a regional sponsorship programme for Nokia.

Finex has continued to extend the scope of its work with core clients SKY, O2 and Hewlett Packard through an increasing focus on planning-led marketing programmes. The new business engine has driven growth at Finex, where client wins include Tottenham Hotspur Football Club, HP Indigo, First National (a GE company), Aga Foodservices, Freeview, CNN, Anschutz Entertainment Group and Thomson Holidays.

Dynamo went from strength to strength during the year, with significant new business wins from its core activities, which included; Lever Fabergé, Hyundai, Sainsbury's Bank, Expedia and the Belgium Tourist board. The year also saw the launch of Dynamo International with offices being established in Brussels, Milan and Germany plus associations in France and Spain. In the UK, Dynamo launched its specialist experiential and field marketing entity, Theatre Brand Experience, which has already secured significant work for the coming year.

Citigate MARCHCom has continued to provide innovative online investor relations consultancy to its clients including Gallaher Group, Diageo, Associated British Foods and Spectris. Citigate MARCHCom continues to deliver high quality client work, as evidenced by Gallaher Group winning the Most Improved IR Website award from the Investor Relations Society.

JKD, one of the UK's leading digital communications agencies, won clients during the year such as KCI International, Exel, BACS and the British Legion. JKD has outspokenly supported accessible development for websites, shaping UK strategy and policy and playing a significant role in the influential Usability and Accessibility Workgroup. JKD completed the redevelopment of Waitrose.com, which is said to be the largest website to achieve such extensive accessible capabilities.

Tangozebra, Incepta's online digital marketing agency, grew very substantially, especially within its technology division. The release of new tools saw the level of advertising activity increase to a point where its solutions now account for over seventy per cent of the rich media advertising market in the UK. It also launched its video offering for online advertising and a set of extension components for Macromedia's Flash product, reinforcing its position as the leading developer of digital marketing solutions in the UK. In parallel to its technical successes, Tangozebra's creative and production services division delivered some wonderful interactive campaigns for SKY, RBS, BMI, Smirnoff and Conoco Jet.

DMD, a specialist digital direct communications agency, has expanded its client base, winning new business from GWR Radio, Orange, ICI Dulux and Wegener Direct Marketing, as well as continuing to supply cutting edge digital direct marketing solutions to clients such as Royal Bank of Scotland, Opodo, Black & Decker and House of Fraser.

Belgium

Citigate PR Force, a full service public relations consultancy with offices in Brussels and Amsterdam, confirmed its number one position in the Benelux market during the year and strengthened its presence with the Brussels based EU press. Specialising in corporate and consumer public relations, financial communications and investor relations, internal communications and issue management, it maintained its position with existing clients such as DHL, Ernst & Young, ISS, Microsoft,

Procter & Gamble and Staples as well as winning new clients such as Bayer, Colt, JC Decaux, Panasonic, Telindus and Wilkinson.

The Netherlands

Citigate First Financial strengthened its position as a market leader in corporate communications and is developing into a full service agency, offering expertise on all aspects of corporate communications. In difficult market conditions, Citigate First Financial grew its impressive client list to more than 60 listed companies. It also worked on several litigation cases, was involved in Ahold's crisis communication and advised on several corporate finance transactions, including the listing of Kardan on Euronext and the merger of biotechnology companies, IsoTis and GenSci OrthoBiologics.

Germany

This financial year was another challenging year for **Citigate Dewe Rogerson Germany**. Despite a weak economy, Citigate Dewe Rogerson Germany was involved in many major merger and acquisition projects, including Airborne's sale of certain of its assets to DHL, Procter & Gamble's acquisition of Wella, Saban Capital Group's acquisition of a controlling stake in the television group ProSieben from Kirch Media, Carlsberg's proposed acquisition of Holsten and the disposal of various businesses to Bitburger, and the IPO of BA-CA on the Vienna stock exchange. ThyssenKrupp remained the largest retainer client for ongoing financial communications work and towards the end of the year the IPO market started to improve marked by the winning of a number of mandates, including Postbank.

Citigate SEA worked on a number of important new assignments during the year including corporate and IPO advertising campaigns for Siltronic (a former division of Wacker Chemicals) and HSH Nordbank and campaigns surrounding Procter & Gamble's acquisition of Wella. Citigate SEA has continued to work extensively with Deutsche Telekom, including T-Online and T-Com, as well as many other clients such as ThyssenKrupp, Fuji Photo Film, Deutsche Bahn, Bayer, Lufthansa Technik, Fraport Airport, Deutsche Post and the National Tourist Office of Tunisia.

Citigate Demuth's position as a best in class corporate communications agency strengthened during the year, including a well received campaign for Talanx and continuing successful work for ING BHF-Bank, Reckitt Benckiser and BASF. Citigate Demuth gained new business from Vittera, Carl Zeiss, GE Money Bank and Fidelity, demonstrating strategic and creative excellence in public relations, branding and design and advertising.

Italy

Citigate Training and Internal Communication increased its business in developing innovative training and internal communication programmes with existing clients including Ras, Banca Mediolanum, AXA, Poste Italiane and ARCA VITA as well as winning new clients such as Allianz, Roche, Welcome and Rasbank.

Citigate Gunpowder, a full service agency, has won important new clients including EMC2 and Pierre & Vacances. This latter client also uses our public relations expertise, strengthening Citigate Gunpowder's position in the tourism market, where the agency also supports Amadeus in its public relations activities. The agency's success in event organisation continues, with large events designed and managed for EMC2, Sun Microsystems, TIBCO Systems, InterSystems and Computer Associates.

Spain and Portugal

Citigate Sanchis remains one of the top two public relations agencies in Spain. Although it has been a difficult year for public relations in Spain, Citigate Sanchis provided successful strategic communication advice and crisis management for Hasbro in relation to their redundancy programme in Spain. It also strengthened its position in the utility market working with Red Eléctrica de España and won significant new business in its five Spanish offices: Seville – Consejería de Obras Públicas de la Junta de Andalucía; Valencia – IMSERSO; Bilbao – Universidad Comercial de Deusto; Barcelona – Allianz; and Madrid – GPD. Citigate Sanchis in Lisbon, Portugal continued to work with key clients Pernod Ricard, Masterfoods and L'Oréal and also added Bosch and Bic to its client list.

Sweden

Combining its expertise in the fields of investor relations, public relations, marketing and advertising into an integrated communications concept, **Citigate Gramma** has established a position as one of the top five public relations agencies in Sweden. Several new clients were added during the year, including Dun & Bradstreet, Duni, FöreningsSparbanken and ICA.

Eastern Europe

The Group's financial public relations associates in Poland (NBS Spolka) and Hungary (Capital Communications) endured challenging economic conditions but maintained their market-leading positions and delivered a satisfactory financial performance.

United States

Despite a relatively subdued market for mergers and acquisitions, **Citigate Sard Verbinen** continued to maintain a strong financial performance and also expanded its offering through opening a new regional office in Chicago.

The year was marked by a slow but improving economy plus the significant impact of Sarbanes-Oxley. These new regulations meant that corporates were increasingly focused on the integrity of their accounting and corporate governance. Work during the year therefore included a mix of litigation, regulatory investigations and internal corporate review projects, in addition to merger and acquisition support and ongoing corporate positioning and investor relations work.

OPERATIONAL REVIEW

CONTINUED

Citigate Sard Verbinen provided strategic communications advice and support on several high-profile transactions and special projects, including AngloGold's merger with Ashanti; Alcan's unsolicited offer for Pechiney; Airborne's sale of certain its operations to DHL; Igen's acquisition by Roche; and Saban Capital Group's acquisition of Kirch's media assets. They also worked closely with Martha Stewart on her court case and provided litigation and crisis communications support to Credit Lyonnais and Credit Agricole Indosuez. Since July 2003, the Chicago team has built a strong client base in the region, including Bank One, Motorola and RR Donnelley.

Citigate Financial Intelligence provides strategic investor relations and market intelligence advice, service and products to corporations and intermediaries worldwide. During the year it added CitigateRx, an online platform to deliver data and analytics products to investor relations professionals, to its offering. Citigate Financial Intelligence added to its US and international client roster with important new client wins that included Canon USA, Cisco, Halliburton, Kellogg's, LUKOIL, Serena Software and Yum! Brands.

After a successful restructuring, Citigate Cunningham, the Group's US technology public relations consultancy, delivered consistent profitability throughout the year. As the information technology industry began a modest recovery, Citigate Cunningham extended existing relationships with AMD, Sun Microsystems and Sybase and won new clients including Affinova, Rambus, Topspin Communications and Synnex. The agency significantly grew its corporate practice, covering such issues as intellectual property litigation and regulatory compliance. Citigate Cunningham also launched a national media practice based in New York, using in-house media relations expertise and a content development service.

Citigate Global Intelligence took advantage of the return of corporate transactions to consolidate its market position as a leading provider of intelligence for strategic business decisions, including the selection of appropriate international business partners, support for cross-border litigation and arbitration, and consulting to avert and respond to corporate crises. It became the market leader in providing intelligence and investigation services to global firms involved in hostile takeovers.

Citigate Global Intelligence opened offices in Geneva, São Paulo and Quito. Through its alliance with Citigate Dewe Rogerson Asia Pacific and International Risk, it expanded its practice throughout the Asia Pacific region.

Citigate Albert Frank's integration of its three business lines, advertising, branding and design, led to a number of new business wins. Positioned as 'the best partner for clients at pivotal moments', Citigate Albert Frank won FEMSA/Coca-Cola, Lehman Brothers, NTT DoCoMo, Merrill Lynch, MxEnergy and RBS as new clients, whilst they

also won additional projects from existing clients such as NASD, TD Waterhouse and AIMR.

Citigate Broad Street expanded its offices in Boston and Atlanta and broadened their reach into new markets with new clients wins including Biogen Idec, Solvay Pharmaceuticals, InterContinental Hotels Group and Bank of America. Other major assignments included integrated events, blended learning solutions, interactive programs and videos for AOL, Business Objects, JPMorganChase, Time Warner, Cisco Interactive, Morgan Stanley, GE Vendor Financial Services and Pepsi Bottling Group.

Besides continued work for long-term client, the National Football League (NFL), Citigate Hudson has expanded operations with key client ABN AMRO, helping them design and develop business intelligence solutions. Citigate Hudson developed additional applications, delivering a global trade monitoring and performance management platform, which helps ABN AMRO to manage its business more efficiently. New project work was also delivered for existing clients Allied World Assurance Company, TV Guide, UBS Warburg, and XL Capital Assurance.

In the US, Incepta Marketing Intelligence continued to build on its reputation in technology markets, with significant account wins from Sun Microsystems, AMD, and Autodesk. In addition, sponsored by Cisco, Incepta MI conducted and published its third Net Impact report – quantifying the business impact of the internet on corporations worldwide. Incepta MI now has bases in San Francisco, New York, and Austin TX.

Hong Kong and China

Citigate Dewe Rogerson continues to offer its clients high-level strategic advice. In Hong Kong, they secured some of the highest profile deals, including the only two privatisations by the Hong Kong government – the Airport Authority and the Housing Authority – plus advising on the regional communications for Macquarie Bank's acquisition of ING's equity businesses in Asia.

In China, they retained their market leading position as an international communications firm advising Chinese companies on overseas listings. They were appointed by the Chinese Government to train a number of leading state-owned corporates on transaction communications, investor relations and financial media relations. They were also mandated as investor relations counsel for China Aluminium Corporation (CHALCO), Bao Steel and China Life.

Citigate Albert Frank Hong Kong changed its name from Citigate Window Creative to reflect its successful integration into the Group's global advertising network. During the extremely difficult first quarter due to SARS, the agency worked closely with clients helping them

through this difficult time. Post-SARS, there was a significant recovery supported by strong growth in the retail investment markets including unit trusts, structured products and equity derivatives. They successfully expanded their involvement with an existing client, HSBC, winning work with several business units including Commercial Banking, Asset Management and Personal Financial Services.

The affiliation with EXIS China, an advertising agency based in Shanghai and Nanjing with nationwide reach, which was announced last year, has already started to generate business. They've started joint marketing initiatives with other Incepta companies when approaching new clients in China and recently won the first joint account, the Industrial Bank, which is a nationwide bank focusing on business and commercial banking.

Citigate Lloyd Northover performed steadily despite challenging economic conditions and the outbreak of SARS. After this difficult period, the economy began to rally, resulting in an upswing in design and branding business. Projects included the rebranding of the Airport Authority, a joint project with Citigate Dewe Rogerson, and branding and signage consultancy work for the Kowloon Canton Railway Corporation.

Following a successful start up year of rapid growth in Hong Kong, **Incepta Marketing Intelligence** opened its Shanghai office. Account wins for Unilever, McCann Erickson, Coca Cola and Nokia soon followed. Incepta MI's other key clients in the region include Standard Chartered Bank and ICI. The team have also continued to work on joint projects with CDR and Citigate Lloyd Northover to provide research in support of Group PR and branding engagements.

Singapore

Citigate Dewe Rogerson i.MAGE topped the league table again being involved in thirteen IPOs for the calendar year 2003, capitalising on one of the fastest-growing IPO markets in the world. They won three awards – more than any other public relations consultancy – at the biennial PRISM Awards (conferred by the Institute of Public Relations Singapore) including, for the sixth consecutive time, the PRISM Award of Excellence for the Best Financial/Investor Relations agency.

Citigate Su Yeang opened its Shanghai office, securing major projects with CapitaLand China, Khong Guan Biscuits and Marshall Cavendish and maintained its lead in a depressed and highly competitive market in Singapore. In Singapore, new business wins included the Singapore trade agency, IE Singapore, working with them to assist local companies brand themselves for expansion overseas. In other markets, our Indonesian client, Orang Tua Group continued to engage our services for several new product launches.

Australia

Our affiliation with **CPR Communications & Public Relations**, an Australian and New Zealand corporate and financial communications and public affairs consultancy, has been very positive. The arrangement enables us to offer clients a single cohesive service in the Asia-Pacific region. Citigate Dewe Rogerson and Citigate Public Affairs have already undertaken joint projects with CPR, and the companies are working closely together to attract further joint business.

India

It has been a stable operating year with emphasis on initiatives that strengthen the outlook for future progress. The team continued to enhance existing clients associations while engaging with new companies across sectors. To gain wider recognition, **Citigate Dewe Rogerson**, India completed a number of highly intensive market intelligence projects, which were the only industry studies of its kind, conducted amongst institutional investors and sector analysts locally and overseas. The Indian operation has built a strong reputation as a premium advisor to senior management teams with regard to their corporate and investor communication and initiatives.

South Africa

Despite an extremely challenging year, **Citigate South Africa's** Johannesburg office continued to grow its public relations base, with projects for the National Institute of Economic Policy, the Ekurhuleni Municipality and the Airports Company of South Africa. They have made significant progress towards fulfilling their goal of providing an integrated communications service illustrated by the success of the all-embracing project for Botswana's largest privately-owned wealth management company, Botswana Insurance Fund Management.

Citigate Cape Town experienced mixed fortunes during the year. Client wins included leading petroleum company, Engen, and financial services companies, Old Mutual Private Wealth Management and Abvest Associates, further consolidating Citigate South Africa's position as one of the region's foremost agencies in the financial services sector.

In Durban, significant new business wins included Ola Milky Lane, Juicy Lucy and Retail Solutions. The Durban office continued to grow its share of below-the-line activity for a number of Unilever and other FMCG brands.

Richard Nichols
Chief Executive

5 May 2004

DIRECTORS' REPORT

The directors of Incepta Group plc present their report together with the audited financial statements for the year ended 29 February 2004.

Principal activities

Incepta is an international marketing and communications group, its principal activities being marketing services, financial & corporate communications and specialist advertising. Incepta Group plc itself is the ultimate holding company of the Group.

Incepta has a clear focus on the higher growth, higher value communications disciplines. The Group's results for the year reflect the return of greater stability in our markets following the weak economic conditions we experienced in the previous two financial years. Gross income in the second half of the year was broadly consistent with both the first half of this financial year and the second half of last year. Similarly, operating profits (before goodwill and exceptional items) in the second half of the year were broadly consistent with the first half. The Group did not however experience a sustained pick-up in the level of corporate or marketing activity during the year, both of which are key drivers of our business. Our businesses continue to generate good operating cash flows and, particularly following the capital raising in the summer of 2003, our financial position is strong.

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

Results and dividends

The Group made a loss attributable to shareholders for the year of £4,411,000 (2003 – attributable loss of £35,468,000). The directors recommend a final dividend of 1.0 pence per 5p ordinary share (2003 – 0.2 pence per 1p ordinary share) to be paid on 13 July 2004 to shareholders on the register as at 14 May 2004.

Directors and their interests

The following served as directors during the year:

David Wright
Richard Nichols
Mike Butterworth
Anthony Carlisle
Robert Alcock
Charles Good
Christian Strenger

On 29 February 2004, David Wright resigned as a director and on 1 March 2004 Francis Maude was appointed as a director.

Brief biographical details of the directors at the date of this report are set out on pages 34 and 35.

The interests of directors in the share capital of the Company and in share options and awards are set out in the Remuneration Report on pages 97 to 105.

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 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.

Charitable and political donations

The Group made charitable donations during the year amounting to £74,000 (2003 – £96,000).

The Political Parties, Elections and Referendums Act 2000 (the Act) requires disclosure of any donations made by companies to an EU Political Organisation (including a registered political party in the UK) or any EU Political Expenditure incurred which is in excess of £200. 'EU Political Organisation' and 'EU Political Expenditure' are both defined in the Act.

Although the Company does not make donations to political parties within the normal meaning of that expression, as part of its normal work on behalf of clients and as part of its own marketing, the Company's public affairs subsidiary, Citigate Public Affairs Limited, needs to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made.

The Company also from time to time invites clients and prospective clients to attend events that fall within the meaning of the Act's provisions. The Act defines 'donations' very broadly such that this sort of activity falls within its ambit. It similarly defines EU Political Organisation very widely such that it includes, for example, bodies concerned with policy review and law reform, with representation of the business community or with the representation of their communities or special interest groups which the Company may wish to support.

During the year, the Company incurred no EU Political Expenditure. It made donations within the meaning of the Act amounting to £10,207 to the Fabian Society for sponsorship of its Annual Lecture, a corporate membership subscription, and a publication; £4,500 to the Labour Party for seats at the Party's Annual Conference Dinner; £571 to the Liberal Democrat Party for membership of the Liberal Democrat Business Forum, a subscription for Liberal Democrat News, and seats at the Party's Annual Conference Dinner, the European Liberal Democrat City Forum Dinner, and two Liberal Democrat Business Forum breakfasts; and £110 to the Scottish Liberal Democrat Party for a seat at its Corporate Dinner.

Share capital

Changes in the Company's share capital during the year are given in note 20 to the Financial Statements.

Substantial shareholdings

As at 4 May 2004, the directors were aware of the following interest 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 %
Morley Fund Management Limited	4.71
Mr George Sard	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 by the Company to pay suppliers, calculated on the basis of trade creditors as at 29 February 2004 and average daily purchases for the year ended 29 February 2004, is 18 days (2003 – 17 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, KPMG Audit Plc, 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



Mike Butterworth
Company Secretary

5 May 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 29 FEBRUARY 2004

		2004			2003		
	Note	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	244,641	–	244,641	250,984	–	250,984
Rechargeable media and production costs		(62,564)	–	(62,564)	(62,763)	–	(62,763)
Revenue	2, 3	182,077	–	182,077	188,221	–	188,221
Cost of sales		(28,058)	–	(28,058)	(27,707)	–	(27,707)
Gross income (gross profit)	2, 3	154,019	–	154,019	160,514	–	160,514
Administrative expenses (including goodwill)		(145,251)	(8,414)	(153,665)	(144,012)	(43,810)	(187,822)
Other operating income	4	1,132	–	1,132	1,097	–	1,097
Operating profit/(loss) before goodwill and fixed asset impairments	2, 3	14,579	(5,317)	9,262	19,395	(7,887)	11,508
Goodwill and fixed asset impairments		(4,679)	(3,097)	(7,776)	(1,796)	(35,923)	(37,719)
Operating profit/(loss)	3	9,900	(8,414)	1,486	17,599	(43,810)	(26,211)
Amounts written off investments		–	–	–	–	(1,720)	(1,720)
Net interest payable	6	(2,949)	–	(2,949)	(2,540)	–	(2,540)
Profit/(loss) on ordinary activities before goodwill, fixed asset impairments and tax		11,630	(5,317)	6,313	16,855	(9,607)	7,248
Goodwill and fixed asset impairments		(4,679)	(3,097)	(7,776)	(1,796)	(35,923)	(37,719)
Profit/(loss) on ordinary activities before tax	2, 3, 7	6,951	(8,414)	(1,463)	15,059	(45,530)	(30,471)
Tax on profit/(loss) on ordinary activities	9	(3,839)	850	(2,989)	(6,089)	1,045	(5,044)
Profit/(loss) on ordinary activities after tax		3,112	(7,564)	(4,452)	8,970	(44,485)	(35,515)
Minority interests	22	41	–	41	47	–	47
Profit/(loss) attributable to group shareholders		3,153	(7,564)	(4,411)	9,017	(44,485)	(35,468)
Dividend	10			(1,886)			(1,328)
Retained loss for the financial year	21			(6,297)			(36,796)
(Loss)/earnings per share							
Basic	11			(2.76)p			(33.83)p*
Diluted	11			(2.76)p			(33.83)p*
Basic before goodwill and exceptional items	11			4.90p			10.31p*
Diluted before goodwill and exceptional items	11			4.45p			6.84p*

*restated to reflect the impact of the capital raising and share consolidation in August 2003.

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

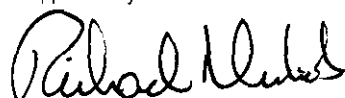
CONSOLIDATED BALANCE SHEET

AS AT 29 FEBRUARY 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	12	290,185	311,260
Tangible assets	13	10,096	15,254
		300,281	326,514
Investments:			
Investment in associates	14	62	78
Other investments	14	472	454
		534	532
		300,815	327,046
Current assets			
Work in progress		1,385	1,695
Debtors	15	55,927	54,170
Cash at bank and in hand	25	7,000	7,440
		64,312	63,305
Creditors: amounts falling due within one year	16	(64,174)	(82,147)
Net current assets/(liabilities)		138	(18,842)
Total assets less current liabilities		300,953	308,204
Creditors: amounts falling due after more than one year	17	(54,962)	(61,473)
Provisions for liabilities and charges	19	(9,360)	(19,478)
Net assets	2	236,631	227,253
Capital and reserves			
Called up share capital	20	9,358	5,310
Share premium account	21	63,020	38,895
Shares to be issued	21	5,546	30,954
Merger reserve	21	166,354	142,943
Profit and loss account	21	(7,784)	8,990
Equity shareholders' funds		236,494	227,092
Minority interests (equity)	22	137	161
Total equity capital employed		236,631	227,253

These financial statements were approved by the board of directors on 5 May 2004 and were signed on its behalf by:

Richard Nichols
Chief Executive



Mike Butterworth
Group Finance Director



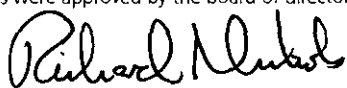
COMPANY BALANCE SHEET

AS AT 29 FEBRUARY 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	13	2,412	3,256
Investments:			
Investment in subsidiary undertakings	14	506,476	510,738
Other investments	14	458	440
		506,934	511,178
		509,346	514,434
Current assets			
Debtors: due after more than one year	15	7,411	15,543
Debtors: due within one year	15	35,369	26,632
		42,780	42,175
Cash at bank and in hand		161	629
		42,941	42,804
Creditors: amounts falling due within one year	16	(187,562)	(209,017)
Net current liabilities		(144,621)	(166,213)
Total assets less current liabilities		364,725	348,221
Creditors: amounts falling due after more than one year	17	(54,718)	(61,083)
Provisions for liabilities and charges	19	(3,788)	(10,428)
Net assets		306,219	276,710
Capital and reserves			
Called up share capital	20	9,358	5,310
Share premium account	21	63,020	38,895
Shares to be issued	21	5,546	30,954
Merger reserve	21	211,721	188,310
Profit and loss account	21	16,574	13,241
Equity shareholders' funds		306,219	276,710

These financial statements were approved by the board of directors on 5 May 2004 and were signed on its behalf by:

Richard Nichols
Chief Executive



Mike Butterworth
Group Finance Director



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2004

	Note	2004 £'000	2003 £'000
Cash inflow from operating activities		13,647	14,416
Dividends received from associates		17	–
Returns on investments and servicing of finance	23	(3,059)	(2,401)
Taxation	23	(1,412)	(7,090)
Capital expenditure and financial investment	23	(3,756)	(6,581)
Acquisitions	23	(23,325)	(10,463)
Equity dividends paid		(882)	(3,397)
Net cash outflow before financing		(18,770)	(15,516)
Financing	23	17,538	2,868
Decrease in cash in the year		(1,232)	(12,648)

Reconciliation of operating profit/(loss) to cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit/(loss)	1,486	(26,211)
Goodwill	4,679	37,719
Depreciation	4,873	5,544
Net (profit)/loss on disposal of tangible fixed assets	(76)	343
Other non-cash items	3,209	224
Decrease in work in progress	326	2,670
(Increase)/decrease in debtors	(2,609)	7,945
Increase/(decrease) in creditors	1,759	(13,818)
Net cash inflow from operating activities	13,647	14,416

Reconciliation of net cash flow to movement in net debt

	Note	2004 £'000	2003 £'000
Decrease in cash in the year		(1,232)	(12,648)
Cash outflow/(inflow) from decrease/(increase) in debt	23	7,942	(2,788)
Issue costs of new bank loans		527	170
Movement in net debt resulting from cash flows	25	7,237	(15,266)
Debt acquired with subsidiary undertakings and businesses		–	(81)
Inception of finance leases		(61)	(121)
Issue of loan notes for non-cash consideration		(3,345)	(14,585)
Other non-cash changes		(371)	(175)
Effect of foreign exchange	25	6,563	817
Movement in net debt		10,023	(29,411)
Opening net debt	25	(62,156)	(32,745)
Closing net debt	25	(52,133)	(62,156)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 29 FEBRUARY 2004

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
(Loss)/profit attributable to group shareholders	(4,411)	(35,468)	5,267	(4,046)
Exchange differences on foreign currency net investments	(11,341)	2,990	(912)	(1,529)
Total recognised gains and losses	(15,752)	(32,478)	4,355	(5,575)

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 29 FEBRUARY 2004

	Note	Group		Company	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
(Loss)/profit attributable to group shareholders		(4,411)	(35,468)	5,267	(4,046)
Dividend		(1,886)	(1,328)	(1,886)	(1,328)
		(6,297)	(36,796)	3,381	(5,374)
Exchange differences on foreign currency net investments		(11,341)	2,990	(912)	(1,529)
Goodwill previously written off to reserves		-	109	-	-
Contribution to Qualifying Employee Share Trust		-	(96)	-	(96)
Issue of shares net of issue costs		52,448	20,930	52,448	20,930
Net movement in estimated value of shares to be issued as consideration for acquisitions	21	(25,408)	(37,220)	(25,408)	(37,220)
Net change to equity shareholders' funds		9,402	(50,083)	29,509	(23,289)
Opening equity shareholders' funds		227,092	277,175	276,710	299,999
Closing equity shareholders' funds		236,494	227,092	306,219	276,710

NOTES TO THE FINANCIAL STATEMENTS

69

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. As discussed in note 1(8) below, where goodwill is treated as having indefinite economic life, 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.

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 result 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.

Geographical segmental information is disclosed in note 2. A more detailed analysis by individual country is considered to be commercially sensitive and is not provided.

(2) Changes in presentation of financial information

In November 2003, the Accounting Standards Board (ASB) issued *Amendment to FRS 5 'Reporting the substance of transactions: revenue recognition'* (the Amendment). The Amendment includes specific guidance in respect of the presentation of revenue as principal or agent. The directors have considered the various factors set out in the Amendment and determined that, in dealing with external media and production services suppliers, the Group is effectively acting as an intermediary for its clients. In order to comply with the requirements of the Amendment, presentation of the profit and loss account has been changed to show memorandum information on turnover and to identify the amounts the company has earned as principal as revenue. This change in presentation has no impact on operating profit in the current or prior years.

In the segmental information, 'Public Relations' has been renamed 'Financial & Corporate Communications'.

(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, cost of sales and revenue recognition

Turnover comprises the gross amounts billed to clients in respect of commission based income together with the total of other fees earned.

Rechargeable media and production costs

Rechargeable media and production costs comprises media payments and third party production costs for those services that the Group is arranging for its clients in its capacity as an intermediary. The Group contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the Group bears credit risk in respect of these activities, the arrangements with its clients are such that, in effect, it acts as an intermediary on behalf of its client. Where the Group acts as an intermediary, costs incurred with external suppliers are excluded from revenue.

Revenue

Revenue comprises fees, and commissions earned in respect of turnover. Revenue is recognised when services are performed, in accordance with the terms of arrangements reached with each client. Turnover and revenue are stated exclusive of VAT, sales taxes and trade discounts.

Financial & Corporate Communications and Marketing Services

Revenue is derived from retainers and fees for services provided. Revenue is recognised when the service is performed in accordance with the contract and the stage of completion.

Specialist Advertising

Revenue is in the form of commissions on media placements and fees for creative and production services provided. Revenue is recognised as the services are performed.

Cost of sales

Cost of sales include amounts payable to external suppliers where they are retained at the Group's discretion to perform part of a specific client project or service where the Group has full exposure to the benefits and risks of the contract with the client.

(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. Exchange differences arising on the retranslation of foreign currency borrowings used to provide a hedge against foreign currency investments are taken directly to reserves.

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.

1 Accounting policies (continued)

(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.

Fixed asset investments are stated at the lower of cost and recoverable amount, where recoverable amount is the higher of net realisable value and value in use.

(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. Each acquisition is assessed with reference to its durability, ability to sustain long term profitability, proven ability to maintain market leadership and the Group's commitment to develop and enhance its value across its network of offices worldwide. Based on their assessment of acquisitions during the year and reassessment of certain prior year acquisitions, the directors are of the opinion that the intangible assets of the Group have economic lives ranging from 5 years to indefinite.

Goodwill previously written off directly to reserves has not been reinstated on the balance sheet 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.

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.

Where goodwill is treated as having indefinite economic life, 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. Capitalised goodwill regarded as having indefinite useful economic life amounted to £268.8 million as at 29 February 2004 (2003 – £291.3 million). If this goodwill were to be amortised over a period of 20 years, the operating profit for the year ended 29 February 2004 would have decreased by £13.4 million (2003 – increase in operating loss of £14.5 million). During the year the useful life of certain acquisitions was shortened to 5 years due to difficult market conditions. The impact on the profit and loss account was to decrease operating profit by £2.2 million in the current year.

(9) Work in progress

Work in progress comprises third party 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 over the life of the instrument.

(11) Pensions

The Group principally 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 due.

(12) Tax

The charge for tax is based on the results for the year and takes into account deferred tax. Deferred tax is recognised with discounting in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen and not reversed by the balance sheet date, except as otherwise required by FRS 19.

(13) Employee share ownership plans

Shares in Incepta Group plc held by The All Employee Share Ownership Plan and Employee Benefit Trusts have been included within other fixed asset investments and are stated at cost less provisions for any impairment.

2 Segmental information

Classes of business

	Turnover		Revenue		Gross income (gross profit)		Profit/(loss) on ordinary activities before tax	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Financial & Corporate Communications	96,351	99,989	93,074	95,195	77,032	82,070	4,670	7,913
Marketing Services	101,025	98,960	69,199	71,095	56,164	56,634	7,422	9,163
Specialist Advertising	57,771	61,738	23,524	27,495	21,707	25,709	2,487	2,319
Intra-group trading	(10,506)	(9,703)	(3,720)	(5,564)	(884)	(3,899)	-	-
	244,641	250,984	182,077	188,221	154,019	160,514	14,579	19,395
Goodwill amortisation							(4,679)	(1,796)
Net interest payable							(2,949)	(2,540)
							6,951	15,059
Exceptional items (note 8)								
- restructuring costs							(5,317)	(7,887)
- fixed asset impairments							(3,097)	(35,923)
- amounts written off investments							-	(1,720)
							(1,463)	(30,471)

Financial & Corporate Communications was previously reported as Public Relations.

	Exceptional restructuring costs		Net assets	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Financial & Corporate Communications	2,616	4,634	86,813	83,774
Marketing Services	816	372	37,314	39,051
Specialist Advertising	361	958	21,786	24,384
Parent company and non-operational	1,524	1,923	90,718	80,044
	5,317	7,887	236,631	227,253

The above analyses of turnover, revenue, gross income (gross profit), profit/(loss) on ordinary activities before tax and net assets for the year ended 29 February 2004 include the following amounts in relation to acquisitions during the year:

	Turnover £'000	Revenue £'000	Gross income (gross profit) £'000	Profit/(loss) on ordinary activities before tax £'000	Net assets £'000
Specialist Advertising	2,111	1,342	1,302	342	191
Goodwill				(217)	
Net interest payable				(5)	
				120	

2 Segmental information (continued)

Geographical segments

	Turnover by origin		Revenue		Gross income (gross profit)		Profit/(loss) on ordinary activities before tax	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
UK	135,219	139,462	100,387	105,394	79,293	84,633	8,247	11,194
Rest of the world	119,928	121,225	85,410	88,391	75,610	79,780	6,332	8,201
Intra-group trading	(10,506)	(9,703)	(3,720)	(5,564)	(884)	(3,899)	–	–
	244,641	250,984	182,077	188,221	154,019	160,514	14,579	19,395
Goodwill amortisation							(4,679)	(1,796)
Net interest payable							(2,949)	(2,540)
							6,951	15,059
Exceptional items (note 8)								
– restructuring costs							(5,317)	(7,887)
– fixed asset impairments							(3,097)	(35,923)
– amounts written off investments							–	(1,720)
							(1,463)	(30,471)

	Turnover by destination		Exceptional restructuring costs		Net assets	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
UK	116,631	119,010	3,014	2,444	177,748	170,906
Rest of the world	128,010	131,974	2,303	5,443	58,883	56,347
	244,641	250,984	5,317	7,887	236,631	227,253

3 Analysis of the results of acquisitions

	Continuing operations £'000	Acquisitions £'000	2004 Total £'000	2003 Continuing operations £'000
Turnover	242,530	2,111	244,641	250,984
Rechargeable media and production costs	(61,755)	(809)	(62,564)	(62,763)
Revenue	180,775	1,302	182,077	188,221
Cost of sales	(28,058)	–	(28,058)	(27,707)
Gross income (gross profit)	152,717	1,302	154,019	160,514
Administrative expenses (including goodwill and exceptional restructuring costs)	(152,484)	(1,181)	(153,665)	(187,822)
Other operating income	1,128	4	1,132	1,097
Operating profit before goodwill, fixed asset impairments and exceptional restructuring costs	14,237	342	14,579	19,395
Goodwill and fixed asset impairments	(7,559)	(217)	(7,776)	(37,719)
Exceptional restructuring costs (note 8)	(5,317)	–	(5,317)	(7,887)
Operating profit/(loss)	1,361	125	1,486	(26,211)
Amounts written off investments	–	–	–	(1,720)
Net interest payable	(2,944)	(5)	(2,949)	(2,540)
(Loss)/profit on ordinary activities before tax	(1,583)	120	(1,463)	(30,471)

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

4 Other operating income

Other operating income of £1,132,000 (2003 – £1,097,000) principally consists of rental income from office space which has been sub-let.

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:

	2004	2003
Financial & Corporate Communications	923	978
Marketing Services	786	791
Specialist Advertising	320	340
Head Office	29	39
	2,058	2,148

The aggregate payroll costs of these persons were as follows:

	2004 £'000	2003 £'000
Wages and salaries	88,722	88,019
Social security costs	8,897	8,287
Other pension costs	2,803	2,835
	100,422	99,141

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

	2004 £'000	2003 £'000
Wages and salaries	2,508	1,928
Social security costs	85	189
Other pension costs	123	159
	2,716	2,276

The information on directors' emoluments and share options set out on pages 97 to 105 forms part of these financial statements.

6 Net interest payable

	2004 £'000	2003 £'000
Interest payable:		
Group		
– on bank loans and overdrafts	2,917	2,673
– on loan notes	241	330
– in respect of finance leases	11	23
Associates		
– on bank loans and overdrafts	1	5
	3,170	3,031
Interest receivable:		
Group		
– on bank deposits	(217)	(487)
Associates		
– on bank deposits	(4)	(4)
	(221)	(491)
	2,949	2,540

7 Profit/(loss) on ordinary activities before tax

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

	2004 £'000	2003 £'000
Staff costs (note 5)	100,422	99,141
Depreciation of tangible fixed assets:		
– owned assets	4,831	5,453
– assets held under finance leases	42	91
Net (profit)/loss on disposal of tangible fixed assets	(76)	343
Rent and other operating lease rentals	9,533	10,612
Exchange (gains)/losses	(147)	659
Group audit fees and expenses	555	520

Of the Group audit fee, the parent company fee was £73,000 (2003 – £70,000).

Fees paid to KPMG Audit Plc and its associates for non-audit services were £588,000 (2003 – £550,000) of which £409,000 (2003 – £333,000) arose in the UK. Of the total non-audit fees, £327,000 (2003 – £Nil) has been debited to the share premium account, being costs of the capital raising in August 2003 and £55,000 (2003 – £255,000) has been capitalised within intangible fixed assets, being costs of acquisitions; the remainder has been charged to the profit and loss account and principally relates to taxation compliance work, interim review and other attestation services.

8 Exceptional items

	2004 £'000	2003 £'000
Restructuring costs:		
– redundancy (note 5)	2,716	2,276
– property	2,166	4,736
– other	435	875
	5,317	7,887
Goodwill impairments	–	35,923
Fixed asset impairments	3,097	–
Amounts written off investments	–	1,720
	8,414	45,530

Exceptional restructuring costs relate to a number of restructuring and cost reduction programmes initiated during the year.

Goodwill and fixed asset impairments relate to the write down of the carrying value of goodwill and other fixed assets held on the Group balance sheet following the directors' annual impairment review.

In the prior year, amounts written off investments principally relate to a provision to write down shares held by employee benefit trusts to the market value of Incepta Group plc shares as at 28 February 2003.

9 Tax on profit/(loss) on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax		
Current tax on income for the year	1,583	3,025
Adjustments in respect of prior years	(475)	(201)
	1,108	2,824
Double taxation relief	(351)	(186)
	757	2,638
Foreign tax		
Current tax on income for the year	1,607	1,775
Adjustments in respect of prior years	362	1,836
	1,969	3,611
Total current tax charge	2,726	6,249
Deferred tax (note 19)		
Origination and reversal of timing differences	107	(1,385)
Decrease in discount	149	177
	256	(1,208)
Share of associates' tax	7	3
Tax on profit/(loss) on ordinary activities	2,989	5,044

Included above is a tax credit on exceptional items amounting to £850,000 (2003 – £1,045,000).

Factors affecting the tax charge for the current year

The total current tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2004 £'000	2003 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	(1,463)	(30,471)
Current tax credit at 30% (2003 – 30%)	439	9,141
Effects of:		
Expenses (including goodwill) not deductible for tax purposes	(1,754)	(12,307)
Depreciation less than/(in excess of) capital allowances	5	(168)
Utilisation of tax losses	129	5
Unrecognised tax credits in respect of overseas losses	(1,610)	(1,097)
Higher tax rates on overseas earnings	(48)	(188)
Adjustments to tax charge in respect of previous years	113	(1,635)
Total current tax charge	(2,726)	(6,249)

Factors that may affect future tax charges are disclosed in note 19.

10 Dividend

	2004 £'000	2003 £'000
Final dividend proposed	1,886	1,335
Dividend receivable in respect of own shares held	–	(7)
	1,886	1,328

A final dividend of 1 pence per 5p ordinary share (2003 – 0.2 pence per 1p ordinary share) is recommended and, subject to approval by shareholders, will be paid on 13 July 2004 to shareholders on the register as at 14 May 2004.

11 Earnings/(loss) per share

Earnings/(loss) per share (EPS) has been calculated using the following:

	(Loss)/ earnings £'000	2004 Weighted average number of shares	(Loss)/ earnings £'000	2003 Weighted average number of shares*
Basic EPS	(4,411)	159,966,222	(35,468)	104,850,229
Diluted EPS	(4,411)	159,966,222**	(35,468)	104,850,229**
Basic EPS before goodwill, fixed asset impairments and exceptional items	7,832	159,966,222	10,813	104,850,229
Diluted EPS before goodwill, fixed asset impairments and exceptional items	7,832	175,839,432	10,813	158,003,656

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

	2004			2003		
	(Loss)/ earnings £'000	Weighted average number of shares	(Loss)/earnings per share p	(Loss)/ earnings £'000	Weighted average number of shares*	(Loss)/earnings per share p
Basic EPS	(4,411)	159,966,222	(2.76)	(35,468)	104,850,229	(33.83)
Dilutive effect of:						
Options		1,878,302	—**		933,282	—**
Shares to be issued as consideration for acquisitions		13,994,908	—**		52,220,145	—**
Diluted EPS	(4,411)	175,839,432	(2.76)**	(35,468)	158,003,656	(33.83)**

Earnings per share before goodwill, fixed asset impairments and exceptional items

Basic EPS	(4,411)	159,966,222	(2.76)	(35,468)	104,850,229	(33.83)
Goodwill and fixed asset impairments	7,776		4.86	37,719		35.97
Exceptional items (post tax)	4,467		2.80	8,562		8.17
Basic EPS before goodwill, fixed asset impairments and exceptional items	7,832	159,966,222	4.90	10,813	104,850,229	10.31
Diluted EPS	(4,411)	159,966,222	(2.76)	(35,468)	104,850,229	(33.83)
Adjustment to treat potential shares as dilutive		15,873,210	0.25		53,153,427	11.38
Goodwill and fixed asset impairments	7,776		4.42	37,719		23.87
Exceptional items (post tax)	4,467		2.54	8,562		5.42
Diluted EPS before goodwill, fixed asset impairments and exceptional items	7,832	175,839,432	4.45	10,813	158,003,656	6.84

*In accordance with FRS 14: 'Earnings per share', comparative figures for weighted average number of shares have been adjusted to reflect the impact of the capital raising and share consolidation during the period.

**Because basic EPS results in a loss per share, FRS14: 'Earnings per share' requires that diluted EPS is calculated using the undiluted weighted average number of shares.

The EPS figures have been calculated using earnings before goodwill and exceptional items in order to assist the reader's understanding of the Group's underlying performance and provide comparability with the Group's peers.

12 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 March 2003	354,260
Goodwill arising on acquisitions in the year (note 27)	499
Net adjustment to goodwill arising on prior year acquisitions	365
Foreign exchange	(20,974)
At 29 February 2004	334,150
Amortisation	
At 1 March 2003	43,000
Charge for the year	4,679
Foreign exchange	(3,714)
At 29 February 2004	43,965
Net book value	
At 29 February 2004	290,185
At 28 February 2003	311,260

The adjustment to goodwill arising on prior year acquisitions comprises an increase to consideration payable.

The directors' impairment review of goodwill used a discount rate of 7.75% in the net present value calculation of the carrying value.

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 2003	443	10,115	22,344	32,902
Acquisitions	–	–	25	25
Additions	–	989	3,632	4,621
Disposals	(309)	(886)	(3,231)	(4,426)
Foreign exchange	(3)	(455)	(1,918)	(2,376)
At 29 February 2004	131	9,763	20,852	30,746
Depreciation				
At 1 March 2003	150	4,763	12,735	17,648
Charge for the year	8	974	3,891	4,873
Impairment losses	–	–	3,097	3,097
Disposals	(31)	(178)	(3,314)	(3,523)
Foreign exchange	(3)	(245)	(1,197)	(1,445)
At 29 February 2004	124	5,314	15,212	20,650
Net book value				
At 29 February 2004	7	4,449	5,640	10,096
At 28 February 2003	293	5,352	9,609	15,254

The net book value of assets at 29 February 2004 includes an amount of £473,000 in respect of assets held under finance leases (2003 – £510,000).

13 Tangible fixed assets (continued)
Company

	Freehold and long leasehold property £'000	Short leasehold property £'000	Fixtures, fittings, vehicles & equipment £'000	Total £'000
Cost				
At 1 March 2003	309	5,022	2,270	7,601
Additions	–	36	95	131
Transfers from subsidiary undertakings	–	507	–	507
Disposals	(309)	–	(1,363)	(1,672)
At 29 February 2004	–	5,565	1,002	6,567
Depreciation				
At 1 March 2003	26	2,739	1,580	4,345
Charge for the year	5	390	485	880
Transfers from subsidiary undertakings	–	324	–	324
Disposals	(31)	–	(1,363)	(1,394)
At 29 February 2004	–	3,453	702	4,155
Net book value				
At 29 February 2004	–	2,112	300	2,412
At 28 February 2003	283	2,283	690	3,256

14 Fixed asset investments
Group

	Investment in associates £'000	Own shares £'000	Other investments Other £'000	Total £'000
Cost				
At 1 March 2003	78	1,612	711	2,323
Additions	–	98	–	98
Share of profits less dividends for the year	(8)	–	–	–
Foreign exchange	(8)	–	–	–
At 29 February 2004	62	1,710	711	2,421
Provisions				
At 1 March 2003	–	1,239	630	1,869
Provisions for the year	–	80	–	80
At 29 February 2004	–	1,319	630	1,949
Net book value				
At 29 February 2004	62	391	81	472
At 28 February 2003	78	373	81	454

The investment in associates represents the Group's 40% holding in Capital Communications Kft and 34% holding in NBS Spolka z.o.o., financial & corporate communications consultancies registered in Hungary and Poland respectively. The carrying value of the investment in associates equates to the Group's share of net assets and does not include any goodwill.

The Group's investment in own shares is stated at cost less provision for impairment and represents 902,450 5p ordinary shares (2003 – 3,797,263 1p ordinary shares) of the Company's ordinary shares held by employee share trusts. The trusts purchase shares on the open market for the benefit of employees using funds provided by the Company. Further details of these trusts are contained on pages 97 to 105. The market value of own shares at 29 February 2004 was £1,173,000 (2003 – £436,000).

The amount shown as other investments at 29 February 2004 represents the Company's investment in USU-Openshop AG, a German technology company. It is a listed investment on an overseas stock exchange and its market value at 29 February 2004 was £48,000.

14 Fixed asset investments (continued)
Company

	Investment in subsidiary undertakings £'000	Other investments		
		Own shares £'000	Other £'000	Total £'000
Cost				
At 1 March 2003	525,685	1,598	711	2,309
Additions	2,059	98	–	98
Foreign exchange	(7,321)	–	–	–
At 29 February 2004	520,423	1,696	711	2,407
Provisions				
At 1 March 2003	14,947	1,239	630	1,869
Provisions released in the year	(1,000)	–	–	–
Provisions for the year	–	80	–	80
At 29 February 2004	13,947	1,319	630	1,949
Net book value				
At 29 February 2004	506,476	377	81	458
At 28 February 2003	510,738	359	81	440

Loans to Group undertakings are included in debtors.

Principal subsidiary undertakings and associates are listed in note 31. A full list of subsidiary undertakings and associates will be annexed to the Company's next annual return.

The Company's investment in own shares is stated at cost less provision for impairment and represents 765,724 5p ordinary shares (2003 – 3,113,135 1p ordinary shares) held by employee share trusts. The trusts purchase shares on the open market for the benefit of employees using funds provided by the Company. Further details of these trusts are contained on pages 97 to 105. The market value of own shares at 29 February 2004 was £995,000 (2003 – £359,000).

15 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts falling due within one year:				
Trade debtors	41,156	40,674	–	–
Amounts owed by subsidiary undertakings	–	–	33,188	24,986
Amounts owed by associates – dividends receivable	13	11	–	–
Corporation tax	879	557	1,143	780
Withholding tax recoverable	237	243	–	–
Deferred tax asset (note 19)	4,658	3,832	69	26
Other debtors	2,198	2,605	551	486
Prepayments and accrued income	6,786	6,248	418	354
	55,927	54,170	35,369	26,632
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	–	–	7,411	15,543
	55,927	54,170	42,780	42,175

16 Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank loans and overdrafts	1,365	16	1,188	–
Loan notes (note 18)	2,875	8,271	2,875	8,271
Obligations under finance leases	44	63	–	–
Trade creditors	13,853	12,992	476	398
Amounts owed to subsidiary undertakings	–	–	171,664	172,277
Corporation tax	7,483	5,816	–	–
Other taxes and social security	4,662	4,886	1,023	1,536
Proposed dividend	2,074	1,328	2,074	1,328
Other creditors	3,968	2,264	91	122
Consideration for acquisitions	6,458	22,402	5,228	21,357
Accruals and deferred income	21,392	24,109	2,943	3,728
	64,174	82,147	187,562	209,017

Included within Other creditors for the Group is £180,000 (2003 – £184,000) relating to liabilities and accrued obligations of the Citigate Communications Group Limited Employee Share Trust.

A maturity analysis of borrowings and finance leases is shown in note 26.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank loans	50,106	57,695	50,084	57,656
Loan notes (note 18)	4,634	3,427	4,634	3,427
Obligations under finance leases	109	124	–	–
Other creditors	113	227	–	–
	54,962	61,473	54,718	61,083

Bank loans are stated net of unamortised issue costs of £626,000 (2003 – £470,000). Issue costs of £527,000 were incurred in respect of the borrowing facilities described in note 26. They are allocated to the profit and loss account over the five year term of the facilities on a straight line basis. Issue costs of £371,000 (2003 – £175,000) were charged to the profit and loss account during the year.

A maturity analysis of borrowings and finance leases is shown in note 26.

18 Loan notes

Loan notes have been issued as part of the consideration for certain acquisitions. Secured loan notes are secured either on cash deposits or by way of guarantee. Cash deposits provided as security are included within cash at bank and in hand and amount to £nil (2003 – £866,000). Loan notes bear interest at the following rates:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Secured				
LIBOR plus 1.75%	225	225	225	225
LIBOR plus 1.5%	1,875	1,875	1,875	1,875
LIBOR plus 1.0%	300	–	300	–
LIBOR less 1.5%	–	3,985	–	3,985
Bank base rate less 2.5%	241	2,933	241	2,933
2.15%*	3,210	–	3,210	–
Nil*	1,424	1,327	1,424	1,327
	7,275	10,345	7,275	10,345
Unsecured				
Bank base rate less 1.5%	234	1,353	234	1,353
	7,509	11,698	7,509	11,698

*Amounts falling due after more than one year.

19 Provisions for liabilities and charges

Group	Contingent consideration for acquisitions £'000	Deferred tax £'000	Vacant property £'000	Other £'000	Total £'000
At 1 March 2003	14,484	1,627	3,052	315	19,478
Charged to profit and loss account	–	1,082	2,166	45	3,293
Paid during the year	(2,727)	–	(1,827)	–	(4,554)
Net movement in estimated contingent consideration payable for acquisitions in prior years	(2,202)	–	–	–	(2,202)
Estimated contingent consideration payable for current year acquisitions	111	–	–	–	111
Transferred to Creditors: amounts falling due within one year	(6,386)	–	–	–	(6,386)
Foreign exchange	–	–	(380)	–	(380)
At 29 February 2004	3,280	2,709	3,011	360	9,360
Company	Contingent consideration for acquisitions £'000		Vacant property £'000	Other £'000	Total £'000
At 1 March 2003	10,067		351	10	10,428
Charged to profit and loss account	–		622	32	654
Paid during the year	(1,810)		(303)	–	(2,113)
Net movement in estimated contingent consideration payable for acquisitions in prior years	(24)		–	–	(24)
Transferred to Creditors: amounts falling due within one year	(5,157)		–	–	(5,157)
At 29 February 2004	3,076		670	42	3,788

19 Provisions for liabilities and charges (continued)

Contingent consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element that is contingent on the future financial performance of the acquired entity. No material contingent consideration will become payable unless the acquired entity delivers greater revenues or profits during the earn-out period than prior to acquisition.

The provision for contingent consideration for acquisitions represents the directors' best estimate of the amount expected to be payable in cash or loan notes. The estimated value of contingent consideration payable by issue of new ordinary shares in the Company of £2.8 million (2003 – £12.4 million) is included in the balance sheet within Shares to be issued (note 21).

Maturity of contingent consideration for acquisitions

	Group		Company	
	Cash or loan notes £'000	Shares to be issued £'000	Cash or loan notes £'000	Shares to be issued £'000
In one year or less	999	1,217	806	1,217
In more than two years but not more than five years	2,281	1,610	2,270	1,610
	3,280	2,827	3,076	2,827

In addition to the above amounts, Creditors falling due within one year and Shares to be issued include consideration for acquisitions of £6.5 million (2003 – £22.4 million) and £2.7 million (2003 – £18.5 million) respectively in respect of completed earn-out periods for which consideration (payable in either cash, loan notes or by the issue of new shares) has become due but has not yet been settled as at 29 February 2004.

Details of each acquisition made during the current year are set out in note 27.

The maximum potential contingent cash and loan note consideration payable under all earn-out arrangements ongoing as at 29 February 2004 is £78.4 million.

Deferred tax

The elements of deferred tax are as follows:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Difference between accumulated depreciation/amortisation and tax depreciation	(2,341)	(1,935)	69	26
Other timing differences	2,808	1,885	–	–
Tax losses	893	1,517	–	–
Undiscounted net deferred tax asset	1,360	1,467	69	26
Effect of discounting	589	738	–	–
Discounted net deferred tax asset	1,949	2,205	69	26
The net deferred tax asset /(liability) comprises:				
Deferred tax asset (note 15)	4,658	3,832	69	26
Deferred tax liability	(2,709)	(1,627)	–	–
	1,949	2,205	69	26

19 Provisions for liabilities and charges (continued)

The movements on deferred tax are as follows:

	Group	
	Asset £'000	Liability £'000
At 1 March 2003	3,832	(1,627)
Credit/(debit) to profit and loss account	826	(1,082)
At 29 February 2004	4,658	(2,709)

A deferred tax asset has been recognised in respect of trading losses to the extent that it is more likely than not that there will be sufficient taxable profits against which these losses can be offset.

At 29 February 2004, in addition to the deferred tax balances recognised above, the Group had potential deferred tax assets of £12,786,000 (2003 – £8,833,000) in relation to allowable tax losses. These assets have not been recognised in the financial statements as, in the opinion of the directors, there is insufficient evidence that they will be recoverable.

Assuming no material change in corporate tax rates or group structure, the overall tax rate is expected to reduce in the future as the benefits of various tax planning initiatives come through.

Vacant property

The vacant property provision represents the estimated future cost of the Group's unutilised leasehold properties, taking into account any future sublet income which is either known or reasonably expected to be obtained. The majority of the provision is expected to be utilised over the next two years.

Other

Other provisions comprise a provision for employer's National Insurance on unapproved share options granted since 6 April 1999 (Group and Company) and a provision for the unfunded liability on an overseas pension scheme (Group). This pension scheme relates to one individual and provides, on retirement, a fixed predetermined pension that is neither linked to final salary nor subject to any increases. The Group's liability under this scheme is substantially covered by an insurance policy. The liability has been determined using a discount rate of 5.5% by a qualified actuary as at 29 February 2004. The Group's contribution to the scheme for the year was £38,000.

20 Called up share capital

	2004 £'000	2003 £'000
Authorised		
Ordinary shares of 5p each 262,000,000 (2003 – 910,000,000 ordinary shares of 1p each)	13,100	9,100
Allotted and fully paid		
Ordinary shares of 5p each 187,168,310 (2003 – 530,967,931 ordinary shares of 1p each)	9,358	5,310

Capital raising and share consolidation

On 19 August 2003 the Company made a 1 for 5 rights issue and issue for cash at 13 pence per 1p ordinary share. 136,405,398 and 76,923,077 shares were issued respectively. On 29 August 2003 the Company's existing 1p ordinary shares were consolidated on a 1 new 5p ordinary share for 5 existing 1p ordinary shares basis.

Other share capital movements

A total of 151,950,086 1p ordinary shares were issued as deferred consideration for the acquisitions of Sard Verbinen & Co., Inc., Beaumark Limited, MARCHCom Limited, Gramma AB, SEA Spiess Ermisch & Andere Werbeagentur GmbH, Sanchis Comunicacón S.L., Rainmaker, Reader Pollock, PLPR, Media Strategy Inc. and 5% of SEA Dewe Rogerson GmbH, made during prior years.

In addition, 7,483,651 5p ordinary shares were issued as deferred consideration for the acquisitions of Citigate Su Yeang Design PTE Limited and The RED Consultancy Group Limited made during prior years.

A total of 6,066 5p ordinary shares were issued during the year under the Company's share option schemes for total consideration of £3,494.

The Company offered the shareholders the option to receive ordinary shares instead of a cash dividend. 2,146,474 1p ordinary shares were issued as a scrip dividend alternative.

Subsequent to the year end 2,134,840 5p ordinary shares were issued as deferred consideration for the acquisitions of The RED Consultancy Group Limited and Markowitz & McNaughton Inc., made during prior years.

The total number of shares in issue as at 5 May 2004 is 189,303,150.

Further shares are to be issued, subject to future financial performance, as consideration for acquisitions.

The estimated value of these shares is included in Shares to be issued at 29 February 2004 (note 21).

The Company has shareholder authority to purchase its own shares, to a maximum of 117,203,587 shares.

Options

As at 29 February 2004, certain employees including directors held options over ordinary shares of 5p (2003 – ordinary shares of 1p) under the following schemes:

	Options held		Options held		Exercise periods (various dates)
	2004*	Exercise prices* (per share)	2003	Exercise prices (per share)	
Employee Share Option Scheme	291,068	50p to 101.9p	1,586,000	10.5p to 31.0p	Up to 29/10/2007
Executive Share Option Plan	2,648,639	74.97p to 614.08p	5,673,216	23.25p to 129.0p	Between 22/9/2001 and 4/7/2013
Executive Long Term Incentive Plan	4,238,648	67p to 614p	14,441,000	14p to 129.0p	Between 20/10/2003 and 14/10/2013
Performance Share Plan	526,130	nil	2,500,000	nil	Between 1/11/2005 and 1/11/2012
1999 Savings Related Share Option Scheme	–	223.75p	851,801	47.0p to 50.0p	Between 1/1/2002 and 30/6/2003
2000 Savings Related Share Option Scheme	34,449	493.2p	207,034	103.6p to 110.0p	Between 1/1/2003 and 30/6/2004
2001 Savings Related Share Option Scheme	182,631	140.4p to 185.4p	1,306,758	29.5p to 38.95p	Between 1/1/2004 and 30/6/2005
2002 Savings Related Share Option Scheme	901,328	57.6p to 60.9p	4,965,612	12.1p to 12.5p	Between 1/1/2006 and 30/6/2006
2003 Savings Related Share Option Scheme	672,297	91.6p to 97.3p	–	–	Between 1/1/2007 and 30/6/2007
	9,495,190		31,531,421		

Further details of share options granted, exercised and lapsed are shown in the statement of directors' remuneration and interests on pages 97 to 105.

*Adjusted for rights issue and share consolidation.

21 Reserves

Group

	Share premium account £'000	Shares to be issued £'000	Merger reserve £'000	Profit and loss account £'000
At 1 March 2003	38,895	30,954	142,943	8,990
Retained loss for the year	–	–	–	(6,297)
Exchange differences on foreign currency net investments	–	–	–	(11,341)
Release of reserves against investment provisions	–	–	(864)	864
Premium on shares issued as consideration for acquisitions	499	–	24,275	–
Premium on rights issue and issue for cash	25,600	–	–	–
Premium on scrip dividend	279	–	–	–
Premium on shares issued under share option schemes	4	–	–	–
Share issue costs	(2,257)	–	–	–
Net movement in estimated value of shares to be issued as consideration for acquisitions	–	(25,408)	–	–
At 29 February 2004	63,020	5,546	166,354	(7,784)

Shares to be issued comprises £2,719,000 of consideration for acquisitions in respect of completed earn-out periods for which consideration is due but not yet settled as at 29 February 2004, and £2,827,000 of consideration for acquisitions contingent on future financial performance (note 19).

A merger reserve has been created in relation to 148,438,528 1p ordinary shares and 7,483,651 5p ordinary shares issued during the year as consideration for acquisitions, as permitted by section 131 of the Companies Act 1985.

Cumulative goodwill relating to acquisitions made up to and including 28 February 1998, which has been eliminated against reserves, amounts to £46,150,000 (2003 – £46,150,000).

Company

	Share premium account £'000	Shares to be issued £'000	Merger reserve £'000	Profit and loss account £'000
At 1 March 2003	38,895	30,954	188,310	13,241
Retained profit for the year	–	–	–	3,381
Release of reserves against investment provisions	–	–	(864)	864
Exchange differences on foreign currency net investments	–	–	–	(912)
Premium on shares issued as consideration for acquisitions	499	–	24,275	–
Premium on rights issue and issue for cash	25,600	–	–	–
Premium on scrip dividend	279	–	–	–
Premium on shares issued under share option schemes	4	–	–	–
Share issue costs	(2,257)	–	–	–
Net movement in estimated value of shares to be issued as consideration for acquisitions	–	(25,408)	–	–
At 29 February 2004	63,020	5,546	211,721	16,574

22 Minority interests

	£'000
At 1 March 2003	161
Additions	3
Minority interests' share of results for the year	(41)
Minority interests' share of exchange differences on foreign currency net investments	14
At 29 February 2004	137

23 Analysis of cash flows

	2004 £'000	2003 £'000
Returns on investments and servicing of finance		
Interest received	238	521
Interest paid	(2,754)	(2,729)
Issue costs of new bank loans	(527)	(170)
Interest element of finance lease payments	(16)	(23)
	(3,059)	(2,401)
Taxation		
UK tax paid	(2,224)	(3,497)
Overseas tax refunded/(paid)	812	(3,593)
	(1,412)	(7,090)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,558)	(5,236)
Disposal of tangible fixed assets	900	489
Purchase of other fixed asset investment	(98)	(1,834)
	(3,756)	(6,581)
Acquisitions		
Purchase of subsidiary undertakings	(20,469)	(9,573)
Purchase of businesses	(2,918)	(1,412)
Net cash acquired with subsidiary undertakings and businesses	59	462
Proceeds from sale of minority interest	3	60
	(23,325)	(10,463)
Financing		
Issue of shares:		
Proceeds from issue of ordinary share capital	27,737	121
Share issue costs	(2,257)	(41)
	25,480	80
Increase in debt:		
Repayment of bank loans	(44,428)	(34,659)
Draw-down of bank loans	44,065	63,293
Capital element of finance lease payments	(83)	(179)
Repayment of loan notes	(7,496)	(25,667)
	(7,942)	2,788
	17,538	2,868

Acquisitions

The cash flow in respect of acquisitions includes outflows of £20,343,000 within purchase of subsidiary undertakings and £2,588,000 within purchase of businesses relating to acquisitions made during prior years.

Acquisitions during the year accounted for £16,000 (2003 – £139,000) of cash flow from operating activities, £Nil (2003 – £121,000) of taxation, and £6,000 (2003 – £45,000) of capital expenditure in the year. These amounts represent the cash flows of all acquisitions except The 19/20 Partnership, as their cash flows are not separately identifiable from the cash flows of continuing operations.

Exceptional restructuring costs

Net cash inflow from operating activities includes an outflow of £4,785,000 (2003 – £5,620,000) in respect of exceptional restructuring costs (note 8).

24 Major non-cash transactions

During the year shares and loan notes were issued as deferred consideration for acquisitions made in prior years. See notes 18 and 20.

25 Analysis of net debt

	At 1 March 2003 £'000	Cash flows £'000	Exchange movements £'000	Other movements £'000	At 29 February 2004 £'000
Cash at bank and in hand	7,440	117	(557)	–	7,000
Overdrafts	–	(1,349)	–	–	(1,349)
Loan notes					
– amounts falling due within one year	(8,271)	7,496	–	(2,100)	(2,875)
– amounts falling due after more than one year	(3,427)	–	38	(1,245)	(4,634)
Bank loans					
– amounts falling due within one year	(16)	17	1	(18)	(16)
– amounts falling due after more than one year	(57,695)	873	7,069	(353)	(50,106)
Finance leases					
– amounts falling due within one year	(63)	58	6	(45)	(44)
– amounts falling due after more than one year	(124)	25	6	(16)	(109)
	(62,156)	7,237	6,563	(3,777)	(52,133)

Other movements comprise loan notes issued as consideration for acquisitions, amortisation of loan issue costs and inception of finance leases, together with transfers between ageing categories.

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: 'Derivatives and other financial instruments: disclosures', 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 30 and 31. Accounting policies relevant to financial instruments are detailed in note 1(10).

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

Interest rate risk profile of financial liabilities

As at 29 February 2004:

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling	15,442	81	5,916	21,439
EU currencies (excluding Sterling)	–	3,261	4,114	7,375
US dollars	38,710	41	1,286	40,037
Other currencies	–	20	–	20
	54,152	3,403	11,316	68,871

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	11.9	54	1
EU currencies (excluding Sterling)	2.2	15	28
US dollars	8.5	21	6
Other currencies	3.1	16	–
	2.5	16	11

26 Financial instruments (continued)

Interest rate risk profile of financial liabilities (continued)

As at 28 February 2003:

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling	32,901	111	6,503	39,515
EU currencies (excluding Sterling)	–	56	16,027	16,083
US dollars	35,126	33	14,923	50,082
Other currencies	–	42	760	802
	68,027	242	38,213	106,482

Currency	Weighted average interest rate %	Weighted average period for which rate is fixed Months	Financial liabilities on which no interest is paid Weighted average period until maturity Months
Sterling	29.3	56	19
EU currencies (excluding Sterling)	5.0	41	7
US dollars	10.5	20	7
Other currencies	3.1	27	5
	16.5	43	9

Interest rate risk profile of financial assets

Currency	Other fixed asset investments £'000	Cash at bank and in hand £'000	2004 Total £'000	Other fixed asset investments £'000	Cash at bank and in hand £'000	2003 Total £'000
Sterling	391	458	849	373	148	521
EU currencies (excluding Sterling)	81	2,959	3,040	81	3,584	3,665
US dollars	–	2,213	2,213	–	2,354	2,354
Other currencies	–	1,370	1,370	–	1,354	1,354
	472	7,000	7,472	454	7,440	7,894
No interest	472	113	585	454	82	536
Floating rate	–	6,017	6,017	–	7,233	7,233
Fixed rate	–	870	870	–	125	125
	472	7,000	7,472	454	7,440	7,894

Cash at bank and in hand includes deposits placed with banks at overnight money market rates.

Maturity of Group financial liabilities

	Borrowings and finance leases £'000	Consideration for acquisitions £'000	2004 Total £'000	Borrowings and finance leases £'000	Consideration for acquisitions £'000	2003 Total £'000
In one year or less or on demand	4,284	7,457	11,741	8,350	25,248	33,598
In more than one year but not more than two years	53,348	–	53,348	2,161	8,442	10,603
In more than two years but not more than five years	1,501	2,281	3,782	59,085	3,196	62,281
	59,133	9,738	68,871	69,596	36,886	106,482

26 Financial instruments (continued)

Maturity of Company borrowings and finance leases

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

	2004 £'000	2003 £'000
In one year or less or on demand	4,063	8,271
In more than one year but not more than two years	53,294	2,100
In more than two years but not more than five years	1,424	58,983
	58,781	69,354

Borrowing facilities

The Group had an undrawn committed facility of £42.4 million available at 29 February 2004 (2003 – £34.8 million) in respect of which all conditions precedent had been met at that date. This relates to an unsecured £92.5 million five year revolving loan multi-currency facility arranged through Lloyds TSB Bank plc which bears interest of between 1% and 3.1% above LIBOR and was due to expire in September 2005.

On 21 March 2003, the Group entered into a further £9.5 million loan note guarantee facility with Lloyds TSB Bank plc, which was due to expire in September 2005. This facility can also be utilised by way of multi-currency revolving loans subject to a subsidiary guarantee arrangement being put in place prior to any loan utilisation.

On 30 April 2004, the Group extended the term of both of the above facilities such that they now expire in March 2007. In addition, the amount of the revolving loan multi-currency facility was reduced from £92.5 million to £82.5 million to reflect the proceeds from the rights issue and issue for cash (note 20).

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, were not materially different to their carrying values as at 29 February 2004 and 28 February 2003.

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 31. 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 2004:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)				Total £'000
	Sterling £'000	EU currencies (excluding Sterling) £'000	US dollars £'000	Other currencies £'000	
Sterling	–	(2,060)	(1,272)	4,854	1,522
EU currencies (excluding Sterling)	(33)	–	23	–	(10)
US dollars	(668)	(20)	–	–	(688)
Other currencies	(6)	–	(720)	–	(726)
Total	(707)	(2,080)	(1,969)	4,854	98

26 Financial instruments (continued)
As at 28 February 2003:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)				Total £'000
	Sterling £'000	EU currencies (excluding Sterling) £'000	US dollars £'000	Other currencies £'000	
Sterling	–	(6,940)	(7,571)	2,623	(11,888)
EU currencies (excluding Sterling)	(45)	–	(6)	–	(51)
US dollars	(460)	48	–	–	(412)
Other currencies	6	–	167	–	173
Total	(499)	(6,892)	(7,410)	2,623	(12,178)

27 Acquisitions

On 25 April 2003, the Company purchased for total consideration of €1 an 80% interest in the trade and assets of Hoffman Reiser Schalt DDB Werbeagentur GmbH, a German specialist advertising business.

On 1 July 2003, the Company acquired the trade and assets of The 19/20 Partnership, a design business based in Northern Ireland. Initial consideration comprised £189,000 in cash. Maximum deferred consideration, subject to the Company's future performance, amounts to £260,000 payable in cash.

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

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 adjustments £'000	Fair value £'000
Tangible fixed assets	77	(52)	25
Work in progress	73	–	73
Debtors	514	(171)	343
Net cash at bank and in hand	59	–	59
Creditors	(308)	(212)	(520)
	415	(435)	(20)
Goodwill			499
Total cost			479
Comprising:			
Cash			189
Deferred contingent consideration			111
Costs			179
			479

The fair value adjustments to tangible fixed assets were made to ensure consistency of accounting policies. The fair value adjustment to debtors reflects write downs to estimated realisable value. The fair value adjustment to creditors represents accruals for unrecorded liabilities. All fair values are provisional awaiting final determination of the balances acquired.

28 Related party transactions

The Group and its associates from time to time carry out consultancy work on behalf of each other's clients. During the year no such transactions occurred.

There was a dividend of £13,000 due from Capital Communications Kft relating to prior years as at 29 February 2004.

In February 2003, the Group announced the negotiation of revised earn-out terms relating to its acquisition of Sard Verbinen & Co., Inc., (subsequently renamed Citigate Sard Verbinen) on terms which significantly limited the dilutive impact for existing shareholders. Citigate Sard Verbinen was acquired by Incepta in April 2000. The original acquisition terms included two deferred payments based upon the business' performance for the three years ended 28 February 2003 and the five years ending 28 February 2005. These deferred payments were originally payable wholly in shares. Both earn-outs have been settled through the payment of £8.0 million of cash on 31 March 2003 and the issue of 60 million new Incepta shares in two tranches, the first of 55 million 1p ordinary shares on 31 March 2003 and the residual 1 million 5p ordinary shares on 1 April 2005.

There were no further related party transactions during the year.

29 Commitments

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

Group	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
within one year	786	132	517	209
within two to five years	6,606	488	6,472	556
after five years	1,630	2	2,468	8
	9,022	622	9,457	773

Company	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
within one year	–	49	–	22
within two to five years	538	87	–	152
after five years	273	–	–	–
	811	136	–	174

30 Contingencies

Consideration for acquisitions

Under the terms of certain acquisition agreements, additional consideration is payable by the Company and certain of its subsidiary undertakings contingent on the future financial performance of the acquired entities. The estimated amount of such contingent consideration is included in Provisions for Liabilities and Charges and Shares to be issued (notes 19 and 21).

Guarantees

In connection with the Group's banking and borrowing facilities with Lloyds TSB Bank plc (note 26), the Company and certain of its subsidiary undertakings have entered into cross-guarantee and indemnity arrangements with Lloyds TSB Bank plc, HSBC Bank plc, JPMorganChase, Scotiabank Europe plc and The Co-operative Bank plc.

31 Principal subsidiary undertakings and associates

Name	Country of incorporation/ principal operation	Directly owned by the Company	Class of business
Principal subsidiary undertakings at 29 February 2004			
Citigate Dewe Rogerson Limited	England		FCC
Citigate Public Affairs Limited	England		FCC
Citigate DVL Smith Limited	England	✓	FCC
Citigate Communications Limited	England	✓	FCC
Citigate MARCHCom Limited	England	✓	FCC
Citigate Albert Frank Limited	England		Adv
Finex Communications Group plc	England	✓	MS
Dynamo Marketing Limited	England	✓	MS
Hauck Research Services Limited	England	✓	MS
JKD Communications Limited	England	✓	MS
Karen Earl Sponsorship Limited	England	✓	MS
Park Avenue Productions plc	England	✓	MS
The RED Consultancy Group Limited	England	✓	MS
Redmandarin Limited	England	✓	MS
Citigate Lloyd Northover Limited	England		MS
Citigate Publishing Limited	England		MS
Incepta Online Limited	England		H
Citigate SMARTS Limited	Scotland		FCC, Adv, MS
Citigate Northern Ireland Limited	Northern Ireland		FCC, MS
Citigate Holdings GmbH	Germany	✓	H
Citigate Dewe Rogerson GmbH	Germany	#	FCC
Citigate SEA GmbH & Co KG	Germany		Adv
Citigate Demuth GmbH	Germany		FCC, Adv, MS
Hoffman Schalt Werbeagentur GmbH	Germany		Adv
Citigate Gramma AB	Sweden	✓	FCC
Citigate Training & Internal Communication Srl	Italy	✓	Adv
Citigate Gunpowder Srl	Italy	✓	MS
Citigate Sanchis SL	Spain	✓	FCC
Citigate First Financial B.V.	The Netherlands	✓	FCC
PR Force Nederland B.V.	The Netherlands	*	FCC
PR Force Public Relations & Press Relations NV	Belgium	✓	FCC
Incepta Group Inc	USA	✓	H
Citigate Inc	USA		
– Citigate Albert Frank ¹	USA		Adv, MS
Citigate Sard Verbinen Inc	USA		FCC
Citigate Cunningham Inc	USA		FCC
Citigate Dewe Rogerson Inc (trading as Citigate Financial Intelligence)	USA		FCC
Citigate Global Intelligence & Security, LLC	USA		FCC
Citigate Hudson Inc	USA		FCC
Citigate Broad Street Inc	USA		MS
Citigate Markowitz & McNaughton, Inc.	USA		FCC
Cosmic Blender, Inc.	USA		MS
Citigate Asia Limited	Hong Kong		
– Citigate Dewe Rogerson ²	Hong Kong		FCC
– Citigate Lloyd Northover ²	Hong Kong		MS
Citigate Albert Frank Limited	Hong Kong		Adv
Citigate Dewe Rogerson i.MAGE Pte Ltd	Singapore	✓	FCC
Citigate Su Yeang Design Pte Ltd	Singapore	✓	MS
Citigate Dewe Rogerson Communications Private Limited	India	✓	FCC
Citigate South Africa (Pty) Limited	South Africa		FCC, Adv, MS
Associates at 29 February 2004			
Capital Communications Kft	Hungary		FCC
NBS Spolka z.o.o.	Poland		FCC

¹ Trades as a division of Citigate Inc² Trades as a division of Citigate Asia Limited

* Owned 5% directly and 95% indirectly

* Owned 30% directly and 70% indirectly

FCC = Financial & Corporate Communications

Adv = Specialist Advertising

MS = Marketing Services

H = Holding Company

All of the above subsidiary undertakings are wholly owned with the exception of Citigate Albert Frank Limited Hong Kong (90% owned) and Citigate South Africa (Pty) Limited (75% owned).

All subsidiary undertakings and associates have financial year ends which are coterminous with that of Incepta Group plc with the exception of Capital Communications Kft and NBS Spolka z.o.o. which have 31 December year ends.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INCEPTA GROUP PLC

We have audited the financial statements on pages 64 to 92. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 62, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 94 to 96 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

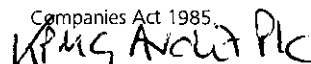
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also 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 Group'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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 29 February 2004 and of the loss of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

5 May 2004

CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good governance.

Statement of compliance

The board has reviewed the Company's compliance with the Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority (the Combined Code). The board confirms that, throughout the year ended 29 February 2004, the Company has been in compliance with Section 1 of the Combined Code and guidance issued by the Turnbull Committee relating to provision D.2.1 of that Code.

The board has evaluated the principles of the revised Combined Code issued in July 2003 which will apply to the Company in respect of the year ending 28 February 2005. The board aims to report substantial compliance throughout this year in its next annual report to shareholders.

Application of principles of good governance

Board of directors

The board is responsible for leading and controlling the Group. 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. 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.

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. In March 2004, the executive directors were subject to individual performance evaluations led by Robert Alcock, Senior Independent Director, following consultation with the other non-executive directors. As required by the revised Combined Code, the board intend to carry out a wide ranging self evaluation process during the forthcoming year. This performance evaluation, which will be conducted on an annual basis going forward, will include a review of the conduct of, and processes for, board and committee meetings, information received, corporate governance issues and overall performance as well as an assessment of the contribution of individual directors. In addition, during the forthcoming year it is intended that the Chairman will hold a meeting with the non-executive directors without the executive directors present. Led by the Senior Independent Director, the non-executives will also meet during the forthcoming year without the Chairman present to appraise his performance.

At the beginning of the financial year the board consisted of seven members, four of whom were non-executive. On 29 February 2004, David Wright retired as non-executive Chairman and was replaced by the Rt Hon Francis Maude. Francis Maude, who was appointed non-executive Chairman with effect from 1 March, is deemed to be independent and, from the date of his appointment, is Chairman of the Nomination Committee and a Member of the Audit and Remuneration Committees. Following these changes the board now comprises three executive and four non-executive directors. Throughout the financial year, the offices of Chairman and Chief Executive were held by separate individuals. The board has nominated Robert Alcock as the Company's Senior Independent Director. Biographies of the current directors and their membership of the board and its committees are shown against the individual directors' names on pages 34 and 35.

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, subject to each director being required to stand for re-election at intervals of no more than three years.

Robert Alcock and Christian Strenger retire by rotation and are seeking re-election at the forthcoming Annual General Meeting. As required by the revised Combined Code, the board can confirm that these three directors should be re-elected by shareholders as non-executive directors because they have performed effectively and demonstrated commitment throughout their period of appointment.

All directors are able, where appropriate, to secure the assistance of outside professional advice at the Company's expense.

The board has an established framework for the induction of new directors which includes meeting with relevant Group executives and advisers. A personal induction programme is prepared for each new director depending on the experience and needs of the individual. As required by the revised Combined Code, it is intended that major shareholders are offered the opportunity of meeting new directors.

Non-executive directors

With their different backgrounds, the non-executive directors 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 which is for a fixed initial term (three years in the case of Francis Maude, Robert Alcock and Christian Strenger and one year in the case of Charles Good) and is terminable by either party on six months' notice.

The board has reviewed and assessed the independence (as defined in the Combined Code) of its non-executive directors. It believes that, other than in respect of David Wright, all of its non-executive directors are independent in character and judgement. At the beginning of the financial year, the Company had three independent non-executive directors, Robert Alcock, Charles Good and Christian Strenger, who attended monthly board meetings and who were all members of the Company's Audit and Remuneration Committees. David Wright, who retired as non-executive Chairman on 29 February 2004, was not a member of the Audit or Remuneration Committees as he was not deemed to be independent due to his previous executive positions with the Company. Charles Good has been a non-executive director of the Company since 1997. Prior to his appointment, he had been a non-executive director of Citigate (which was acquired by the Group in 1997), since 1988. Notwithstanding the length of his involvement with the Group, the board believe that he is independent both in character and judgement and that throughout his period in office he has performed effectively and demonstrated his independence and commitment. In accordance with the revised Combined Code, Charles Good retires and seeks re-election at the forthcoming Annual General Meeting.

Board committees

Certain of the board's duties are delegated to committees of the board, all of which have written terms of reference (which were reviewed and updated during the year) and whose responsibilities and composition are as follows:

The Audit Committee ensures that an objective and professional relationship is maintained with the external auditors. The Committee meets at least three times a year to discuss accounting, audit and internal control matters, as well as reviewing the financial statements and compliance with accounting standards. The Group Finance Director is invited to attend part of each meeting. The external auditors may request a meeting with the Audit Committee 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. In the year to 29 February 2004, the Committee comprised three non-executive directors (Robert Alcock, Charles Good and Christian Strenger) under the chairmanship of Robert Alcock. Following his appointment as non-executive Chairman on 1 March 2004, Francis Maude became a Member of the Committee and since that date the Committee has comprised the four non-executive directors chaired by Robert Alcock. David Wright, who retired as non-executive Chairman on 29 February 2004, was not a member of the Audit Committee as he was not deemed to be independent.

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 and share award schemes. In the year to 29 February 2004, the Committee comprised three non-executive directors (Robert Alcock, Charles Good and Christian Strenger) under the chairmanship of Robert Alcock. Following his appointment as non-executive Chairman on 1 March 2004, Francis Maude became a Member of the Committee and since that date the Committee has comprised the four non-executive directors chaired by Robert Alcock. David Wright, who retired as non-executive Chairman on 29 February 2004, was not a member of the Remuneration Committee as he was not deemed to be independent.

The Nomination Committee meets as necessary and is responsible for reviewing and making proposals to the board on the appointment of directors. In the year to 29 February 2004, the Committee consisted of Robert Alcock, Charles Good, David Wright and Richard Nichols and was chaired by David Wright. On 29 February 2004, David Wright retired as non-executive Chairman and was replaced by Francis Maude, who since 1 March 2004 has become Chairman of the Committee.

Relationship with major shareholders

The Company has designated Richard Nichols and Mike Butterworth as its principal spokespersons with institutional investors, employee shareholders, analysts, press and other interested parties.

Following meetings with major shareholders, Richard Nichols and Mike Butterworth report the results of these meetings to the board as a whole. The board also receives formal written reports from its brokers regarding the views of its principal shareholders following its preliminary and interim results announcements and at other times as appropriate. As required by the revised Combined Code, it is intended to invite major shareholders to meet with the Chairman and the Senior Independent Director to discuss concerns they might have regarding the Company's corporate governance practices. All non-executives have been offered the opportunity to attend meetings with major shareholders. The board considers that its non-executive directors, including its Senior Independent Director, Robert Alcock, have a good level of understanding of the issues and concerns of major shareholders, as required by the revised Combined Code.

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 controls

The board of directors has overall responsibility for establishing key procedures designed to achieve a sound system of internal controls and for reviewing its effectiveness.

The Combined Code requires that the board reviews and reports on the effectiveness of the Group's system of internal control including controls covering financial, operational, compliance and risk management matters.

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 Group board each month.

Operational 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.

Risk management

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. A risk review report, which identifies key risks, the impact should they occur, and actions being taken to manage those risks to the desired level, is produced half-yearly by each business unit and by each Group departmental head. In addition, proposed improvements to the way that risks are managed are also reported. This system has been in place throughout the year under review and up to the date of approval of this annual report and is reviewed regularly by the board of directors. It is designed to manage rather than to eliminate the risks inherent in achieving the Group's business objectives and can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The risk management process is applied to all new businesses acquired by the Group as part of their integration. The board receives regular reports on progress during the year.

Detailed internal financial 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.

The directors are satisfied that the procedures in place throughout the year ensured full compliance with the internal control requirements of the Combined Code.

Going concern

The directors have reviewed the Group's budget and cash flow for the year ending 28 February 2005 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.

REMUNERATION REPORT

97

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. 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 and awards to employees.

The Committee consists solely of non-executive directors. In the year to 29 February 2004, the Remuneration Committee was chaired by Robert Alcock and also comprised Charles Good and Christian Strenger. Following his appointment as non-executive Chairman on 1 March 2004, Francis Maude also became a Member of the Committee. The Committee has access to professional advice as and when it considers it necessary. During the year advice was received from time to time from KPMG LLP on remuneration matters. KPMG LLP is a member firm of KPMG International, a Swiss cooperative of which KPMG Audit Plc, the Company's auditor, is also a member.

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 designed to attract and retain executive directors of the highest calibre and to reflect their role and experience;
- provide incentive arrangements which are subject to challenging performance targets (typically based on real earnings per share growth), reflect the Company's objectives and recognise the importance of providing sustained motivation of management to focus on annual, as well as longer-term, performance; and
- align the interests of the executive directors with those of shareholders.

In order to achieve these objectives the Committee's approach is that a substantial proportion of the overall remuneration package should be linked to performance, through participation in short-term and long-term incentive schemes.

The Committee determines remuneration packages with regard to the prevailing pay and benefit conditions across the Group's markets.

The Committee's policy with regard to service contracts is to limit the contract and notice periods to twelve months or less and for no compensation to be payable in the event of early termination other than for payment in lieu of notice.

The above policy is expected to continue to be applied in respect of the forthcoming and subsequent years.

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 company cars, life assurance, permanent health and private medical insurance. The value of benefits is not pensionable.

Performance related bonus

For all executive directors, appropriate performance targets were approved by the Committee at the start of the financial year for which the bonus was payable. The performance measures were chosen by the Committee because each measure was a factor over which the individual had a direct impact and each of the measures are collectively good indicators of corporate performance that should link to long-term shareholder reward.

Richard Nichols and Mike Butterworth may be awarded an annual cash bonus up to a maximum of fifty per cent of annual basic salary, which is not pensionable, providing an incentive to achieve short-term performance targets related to earnings per share growth. A cash bonus of fifty per cent of annual basic salary is payable for achieving target earnings per share. In addition, the Committee may also award individual discretionary bonuses with total bonuses not to exceed one hundred per cent of annual basic salary.

For the year under review, no bonuses were payable to Richard Nichols and Mike Butterworth in respect of meeting earnings per share growth targets for the year.

Anthony Carlisle may be awarded an annual cash bonus up to a maximum of one hundred per cent of annual basic salary, which is not pensionable, based on the operating profitability of the consultancy division of Citigate Dewe Rogerson in the UK for the year and his continued employment within the Group. For the year under review, a bonus of £100,000 was payable to Anthony Carlisle in respect of the financial performance of the consultancy division of Citigate Dewe Rogerson and his continued employment within the Group.

Pensions

Pension contributions are made to the executive directors' pension plans. Richard Nichols and Mike Butterworth currently participate in a company money purchase pension plan. In the period to 30 September 2003, the Company contributed 10 per cent of annual salary to their pension plans. Since that date the contribution rate has been increased to 15 per cent. 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 a contribution of 20 per cent of annual salary from the Company, which is paid into his personal pension scheme arrangements.

Share options

The Committee decided to award share options to executive directors and certain key executives in the core operating subsidiaries during the course of the year, 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 and the Incepta Group All Employee Share Ownership Plan.

Share option awards may be made to executive directors under the Incepta Group plc Executive Long Term Incentive Plan. Options under this plan, which are issued at market price at the date of grant and whose quantum are not subject to any limit per individual, may be exercised at any time between the third and tenth anniversaries of their date of grant to the extent that they have vested, provided that performance conditions relating to earnings per share growth to which they are subject have been fulfilled. Currently, the performance conditions require earnings per share growth over the performance period of at least 3 per cent compound per annum in excess of the UK Retail Price Index. Options will vest in respect of one third of the shares in each of the third, fourth and fifth anniversaries of the date of grant.

Share option awards may also be made to executive directors under the Incepta Group plc Executive Share Option Plan. Options under this plan, which are issued at market price at the date of grant and whose quantum are not subject to any limit per individual, may be exercised at any time between the third and tenth anniversary of their date of grant provided that performance conditions relating to earnings per share growth to which they are subject have been fulfilled. Currently, the performance conditions require earnings per share growth (adjusted to exclude non-operating exceptional items) over the performance period of at least 2 per cent compound per annum in excess of the UK Retail Price Index.

The Committee has chosen earnings per share as the performance conditions under these plans as it believes it is the most commonly accepted measurement of long-term shareholder return.

The earnings per share growth hurdles were considered to be appropriately demanding and consistent with market practice at the time the plans were created.

Performance Share Plan

The Committee decided to grant no share awards under this Plan during the course of the year.

Share awards under this plan are awarded in the form of share options with a nil exercise price and are limited in quantum to 150 per cent of an individual's relevant earnings (being salary plus bonus) in the relevant year unless the Committee believes there are exceptional circumstances, in which case no limit applies. The awards may be exercised at any time between the third and tenth anniversaries of their date of grant, provided that the performance conditions relating to earnings per share growth to which they are subject have been fulfilled. Currently, the performance conditions require earnings per share growth over the performance period of at least 6 per cent for executive directors and 3 per cent for other key executives compound per annum in excess of the UK Retail Price Index. This is subject to diluted earnings per share growth (adjusted to exclude FRS3 exceptional items and goodwill) being at least 5 per cent compound per annum. Vesting will occur in four equal tranches, on the third anniversary of grant and on the three subsequent anniversaries of this date.

The Committee has chosen earnings per share as the performance conditions under this plan as it believes it is the most commonly accepted measurement of long-term shareholder return.

The earnings per share growth hurdle was considered to be appropriately demanding and consistent with market practice at the time the plan was created.

Service contracts

Richard Nichols, Mike Butterworth and Anthony Carlisle all have rolling twelve month service agreements with the Company which expire at normal retirement age unless terminated beforehand in accordance with the terms of the individual contracts.

Details of the service contracts of Executive Directors are as follows:

Name	Contract date	Notice period from Company	Notice period from director
Richard Nichols	19 March 1999 (amended 18 April 2001)	12 months	12 months
Mike Butterworth	2 March 2001	12 months	12 months
Anthony Carlisle	19 October 1998	12 months	12 months

There are no provisions in any of the above service contracts for compensation to be payable in the event of early termination other than for payment in lieu of notice.

Outside appointments

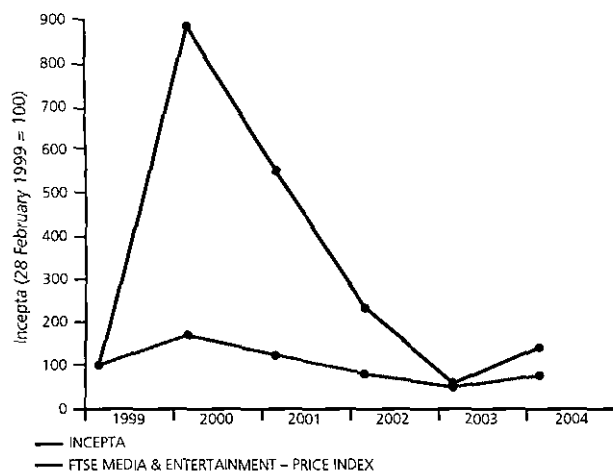
The Group expects that executive directors will operate under full time service contracts and will only accept appointments outside of the Group provided the time commitment is limited, and if it is felt that a non-Group appointment will broaden the management experience of the executives concerned. 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. Frances Maude, Robert Alcock, Charles Good and Christian Strenger signed a letter of appointment on 30 April 2004 which is for a fixed initial term of three years (one year in the case of Charles Good) terminable by either party on six months notice. Prior to 30 April 2004, Robert Alcock, Charles Good and Christian Strenger had signed a letter of appointment terminable by either party on six months notice to expire at any time. David Wright had signed a letter of appointment which commenced on 9 October 2002 and was terminable by either party on six months notice, subject to a maximum initial fixed period of twelve months.

Performance graph

The following graph illustrates the Company's total shareholder return since 1 March 1999 relative to the FTSE Media & Entertainment Index. The Company is a member of the FTSE Media & Entertainment Index and the Committee considers that a comparison of the Company's total shareholder return relative to similar businesses is more appropriate than a comparison with a general FTSE Index, in order to reduce the impact of general stock market trends.



This graph looks at the value, by the end of February 2004, of £100 invested in the Company compared with that of £100 invested in the FTSE Media & Entertainment Index.

DIRECTORS' REMUNERATION & INTERESTS

With the exception of the table of Director's Shareholdings and the details of employee options, the following sections of the Remuneration Report have been audited.

The remuneration of each director for the year ended 29 February 2004 was as follows:

		Basic salary/ fees £	Bonus £	Cash value of benefits in kind £	Compensation for loss of office £	Total emoluments 2004 £	Total emoluments 2003 £	Pension contributions 2004 £	Pension contributions 2003 £
Executive directors									
Richard Nichols	(1)	281,250	–	13,455	–	294,705	288,323	34,167	27,500
Mike Butterworth	(2)	169,167	–	10,955	–	180,122	175,615	20,562	16,500
Anthony Carlisle	(3)	400,000	100,000	1,728	–	501,728	461,437	80,000	72,000
Non-executive directors									
David Wright*	(4)	80,000	–	–	40,000	120,000	577,302	–	21,917
Robert Alcock	(4)	35,000	–	–	–	35,000	35,000	–	–
Charles Good	(4)	25,000	–	–	–	25,000	25,000	–	–
Christian Strenger	(4)	25,000	–	–	–	25,000	25,000	–	–
Neil Mackay**		–	–	–	–	–	10,417	–	–
		1,015,417	100,000	26,138	40,000	1,181,555	1,598,094	134,729	137,917

* resigned from the board on 29 February 2004

** deceased 14 July 2002

- (1) Richard Nichols, under his service contract, was paid an annual salary of £275,000 in the seven month period to 30 September 2003 and £290,000 in the five month period to 29 February 2004. The Company also contributed 10% of annual salary to the executive's pension plan in the seven month period to 30 September 2003 and 15% of annual salary in the five month period to 29 February 2004. No bonus was payable for the year under review.
- (2) Mike Butterworth, under his service contract, was paid an annual salary of £165,000 in the seven month period to 30 September 2003 and £175,000 in the five month period to 29 February 2004. The Company also contributed 10% of annual salary to the executive's pension plan in the seven month period to 30 September 2003 and 15% of annual salary in the five month period to 29 February 2004. No bonus was payable for the year under review.
- (3) Anthony Carlisle was the highest paid director for the year under review. Under his service contract, he was paid an annual salary of £400,000 for the year to 29 February 2004. The Company also contributed 20% of annual salary to the executive's pension plan. Anthony Carlisle was also awarded a bonus of £100,000 in relation to his performance for the consultancy division of Citigate Dewe Rogerson in the year and his continued employment within the Group.
- (4) In their capacity as non-executive directors to the Group, Charles Good and Christian Strenger received annual fees of £25,000. In his capacity as non-executive Chairman, David Wright received annual fees of £80,000. In addition to his remuneration, David Wright was paid £40,000 as compensation for loss of office following his resignation from the board on 29 February 2004. In his capacity as non-executive Deputy Chairman, Robert Alcock received annual fees of £35,000.

Shareholdings

The directors who served during the year held interests in the ordinary share capital of the Company as follows:

	As at 1 March 2003	As at 1 March 2003 (adjusted for share consolidation)	As at 29 February 2004	As at 5 May 2004
Executive				
Richard Nichols	1,288,156	257,631	270,580	270,841
Mike Butterworth	127,392	25,478	32,851	33,112
Anthony Carlisle	7,765,979	1,553,196	1,611,433	1,611,433
Non-executive				
David Wright*	10,938,184	2,187,637	2,175,767	n/a
Robert Alcock	202,833	40,567	51,034	51,295
Charles Good	4,765,689	953,138	1,143,765	1,143,765
Christian Strenger	300,000	60,000	72,000	72,000

* resigned from the board on 29 February 2004

The above shareholdings were all beneficially held. The table above includes directors' interest in shares acquired through the Incepta Group plc All Employee Share Ownership Plan.

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

Options

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. In normal circumstances, the options may be exercised at any time between the third and tenth anniversaries of their date of grant.

	Held on 1 March 2003	Adjustment for rights issue & share consolidation	Lapsed during year	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Employees							
Total by exercise price	80,000	(63,198)	(16,802)	—	—	147.60p	1 September 1996-2003
	40,000	(31,597)	—	8,403	8,403	59.50p	31 January 1998-2005
	900,000	(711,000)	—	189,000	189,000	50.00p	5 January 1999-2006
	146,000	(115,335)	—	30,665	30,665	97.60p	18 July 1999-2006
	420,000	(331,799)	(25,201)	63,000	63,000	101.90p	29 October 2000-2007
	1,586,000	(1,252,929)	(42,003)	291,068	291,068		

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. In normal circumstances, the options may be exercised at any time between the third and tenth anniversaries of their date of grant, provided that performance conditions relating to earnings per share growth to which they are subject have been fulfilled (see details above).

	Held on 1 March 2003	Lapsed prior to rights issue & share consolidation	Granted during year	Adjustment for rights issue & share consolidation	Lapsed post rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Directors									
Richard Nichols	1,000,000		-	(789,935)	-	210,065	210,065	116.63p	4 May 2002-2009
	-		850,000	(671,430)	-	178,570	178,570	74.97p	4 July 2006-2013
Mike Butterworth	-		500,000	(394,959)	-	105,041	105,041	74.97p	4 July 2006-2013
Employees									
Total by	707,216	(75,000)	-	(502,565)	(6,301)	123,350	123,350	110.68p	22 September 2001-2008
exercise price	2,025,000	(75,000)	-	(1,540,380)	(84,025)	325,595	325,595	116.63p	4 May 2002-2009
	1,775,000	(220,000)	-	(1,228,349)	-	326,651	221,617	264.20p	12 October 2002-2009
	91,000	-	-	(71,888)	-	19,112	19,112	614.08p	20 October 2003-2010
	75,000	-	-	(59,246)	-	15,754	15,754	170.18p	16 October 2004-2011
	-	-	6,400,000	(5,055,499)	-	1,344,501	1,344,501	74.97p	4 July 2006-2013
	5,673,216	(370,000)	7,750,000	(10,314,251)	(90,326)	2,648,639	2,543,605		

Incepta Group plc Executive Long Term Incentive Plan

The Incepta Group plc Executive Long Term Incentive Plan was established by the Company at its Annual General Meeting on 7 July 2000, for a term of 10 years. In normal circumstances, the options may be exercised at any time between the third and tenth anniversaries of their date of grant to the extent that they have vested, provided that performance conditions relating to earnings per share growth to which they are subject have been fulfilled (see details above). Options will vest in respect of one third of the shares on each of the third, fourth and fifth anniversaries of the date of grant.

	Held on 1 March 2003	Lapsed prior to rights issue & share consolidation	Adjustment for rights issue & share consolidation	Granted during year	Lapsed post rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Directors									
Richard Nichols	300,000	-	(236,912)	-	-	63,088	63,088	170.00p	16 October 2004-2011
Mike Butterworth	300,000	-	(237,069)	-	-	62,931	62,931	348.00p	18 June 2004-2011
	200,000	-	(157,942)	-	-	42,058	42,058	170.00p	16 October 2004-2011
Anthony Carlisle	300,000	-	(236,912)	-	-	63,088	63,088	170.00p	16 October 2004-2011
David Wright	300,000	-	(236,912)	-	-	63,088	63,088	170.00p	16 October 2004-2011
Employees									
Total by	2,539,000	(365,000)	(1,736,182)	-	(5,252)	432,566	380,043	614.00p	20 October 2003-2010
exercise price	5,545,000	(425,000)	(4,054,933)	-	(26,137)	1,038,930	1,009,490	170.00p	16 October 2004-2011
	200,000	-	(158,036)	-	-	41,964	41,964	112.00p	15 August 2005-2012
	4,757,000	(43,000)	(3,729,065)	-	-	984,935	984,935	67.00p	12 November 2005-2012
	-	-	-	1,446,000	-	1,446,000	1,446,000	102.66p	14 October 2006-2013
	14,441,000	(833,000)	(10,783,963)	1,446,000	(31,389)	4,238,648	4,156,685		

Incepta Group Performance Share Plan

The Incepta Group Performance Share Plan was established by the Company at its Annual General Meeting on 5 July 2002, for a term of 10 years. In normal circumstances, the options may be exercised at any time between the third and tenth anniversaries of their date of grant, provided that the performance conditions relating to earnings per share growth to which they are subject have been fulfilled (see details above). Vesting will occur in four equal tranches, on the third anniversary of grant and on the three subsequent anniversaries of this date.

	Held on 1 March 2003	Adjustment for rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Directors						
Richard Nichols	500,000	(394,773)	105,227	105,227	nil	1 November 2005-2012
Mike Butterworth	250,000	(197,387)	52,613	52,613	nil	1 November 2005-2012
Anthony Carlisle	500,000	(394,773)	105,227	105,227	nil	1 November 2005-2012
Employees						
Total	1,250,000	(986,937)	263,063	263,063	nil	1 November 2005-2012
	2,500,000	(1,973,870)	526,130	526,130		

Savings Related Option Schemes

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 six years to enable every employee to participate in the growth of the Group. There are no performance conditions relating to this scheme. The tables below summarise the current options issued and outstanding under each of the five current schemes.

Incepta Group plc 1999 Savings Related Share Option Scheme

	Held on 1 March 2003	Lapsed during the year	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Employees						
Total by exercise price	851,801	(851,801)	–	–	223.7p	1 January-30 June 2003

Incepta Group plc 2000 Savings Related Share Option Scheme

	Held on 1 March 2003	Lapsed during the year	Adjustment for rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Employees							
Total by exercise price	207,034	(36,244)	(136,341)	34,449	34,449	493.2p	1 January-30 June 2004

Incepta Group plc 2001 Savings Related Share Option Scheme

	Held on 1 March 2003	Lapsed during the year	Adjustment for rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Directors							
David Wright	10,305	(10,305)	—	—	—	140.4p	1 January-30 June 2005
Employees							
Total by exercise price	1,129,144	(289,587)	(663,292)	176,265	176,265	140.4p	1 January-30 June 2005
	30,341	—	(23,975)	6,366	6,366	185.4p	1 January-30 June 2005
	136,968	(136,968)	—	—	—	150.0p	1 January-30 June 2004
	1,306,758	(436,860)	(687,267)	182,631	182,631		

Incepta Group plc 2002 Savings Related Share Option Scheme

	Held on 1 March 2003	Lapsed during the year	Adjustment for rights issue & share consolidation	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share (adjusted)	Exercisable between
Directors							
Richard Nichols	23,429	—	(18,508)	4,921	4,921	57.6p	1 January-30 June 2006
Mike Butterworth	23,429	—	(18,508)	4,921	4,921	57.6p	1 January-30 June 2006
Employees							
Total by exercise price	3,766,172	(481,072)	(2,595,126)	689,974	689,974	57.6p	1 January-30 June 2006
	1,152,582	(193,068)	(758,002)	201,512	201,512	60.9p	1 January-30 June 2006
	4,965,612	(674,140)	(3,390,144)	901,328	901,328		

Incepta Group plc 2003 Savings Related Share Option Scheme

	Granted during the year	Lapsed during the year	Held on 29 February 2004	Held on 5 May 2004	Exercise price per share	Exercisable between
Directors						
Richard Nichols	3,826	—	3,826	3,826	91.6p	1 January-30 June 2007
Mike Butterworth	5,639	—	5,639	5,639	91.6p	1 January-30 June 2007
Employees						
Total by exercise price	535,816	(25,373)	510,443	510,443	91.6p	1 January-30 June 2007
	152,537	(148)	152,389	152,389	97.3p	1 January-30 June 2007
	697,818	(25,521)	672,297	672,297		

Incepta Group plc All Employee Share Ownership Plan

In July 2001, the Company introduced an All Employee Share Ownership Plan (AESOP). The plan, which is open to all employees, offers a tax efficient way for employees to purchase Incepta Group plc shares. Under the terms of the plan and subject to certain limits, a trust purchases and holds shares on behalf of the participants, using contributions made by the participants. For every five shares purchased in this way (partnership shares) participants are entitled to one matching share, purchased from contributions made by the Company. The employees can withdraw the partnership shares from the plan at any time and the matching shares only after three years. There are no performance conditions relating to this plan.

Directors entitlement to matching shares as at 29 February 2004 were as follows:

	Entitlement to shares on 1 March 2003	Purchased up to rights issue & share consolidation	Adjustment for rights issue & share consolidation	Purchased post rights issue & share consolidation	Entitlement to shares on 29 February 2004
Directors					
Richard Nichols	1,641	1,031	(2,117)	131	686
Mike Butterworth	1,229	1,031	(1,809)	131	582
Robert Alcock	1,464	1,031	(1,997)	131	629
David Wright	1,641	1,031	(2,138)	131	665

Directors entitlement to dividend shares as at 29 February 2004 were as follows:

	Entitlement to shares on 1 March 2003	Purchased up to rights issue & share consolidation	Adjustment for rights issue & share consolidation	Entitlement to shares on 29 February 2004
Directors				
Richard Nichols	49	127	(140)	36
Mike Butterworth	—	101	(81)	20
Robert Alcock	28	116	(116)	28
David Wright	49	127	(141)	35

The number of matching and dividend shares held by the trust at 29 February 2004 was 47,724 with a market value of £62,041.

Other schemes

Certain former directors and employees of Citigate Communications Group Limited hold share options over the Company's shares under separate schemes. 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 in March 1997. 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. There were no current options outstanding under the approved scheme.

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 unapproved share options on 1 July 1998.

Citigate Communications Group Limited Unapproved Executive Share Option Scheme

	Held on 1 March 2003	Adjustment for rights issue & share consolidation	Exercised during the year	Held on 29 February 2004	Held on 5 May 2004	Exercise price per employee	Exercisable between
Employees	348,090	(274,834)	(23,256)	50,000	50,000	£1	1 February 1999-1 July 2005

Share price

The market price of Incepta Group plc shares as at 29 February 2004 was 130 pence per share. The price ranged from 48.79* pence per share to 134.25 pence per share during the financial year.

*adjusted to take account of the rights issue and share consolidation. The unadjusted price was 10.25 pence.

This report was approved by the Board of Directors on 5 May 2004 and signed on its behalf by:

Robert Alcock

Chairman, Remuneration Committee
5 May 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF INCEPTA GROUP PLC WILL BE HELD AT 26 FINSBURY SQUARE, LONDON, EC2A 1SH ON 2 JULY 2004 AT 12 NOON FOR THE TRANSACTION OF THE FOLLOWING BUSINESS:

Ordinary Business

Resolution 1

To re-elect the Rt. Hon. Francis Maude, being a director of the Company appointed on 1 March 2004, who retires in accordance with the Articles of Association.

Resolution 2

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

Resolution 3

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

Resolution 4

To re-elect Charles Good as a director of the Company, who retires and seeks re-election.

Resolution 5

To receive and adopt the directors' report and financial statements of the Company for the year ended 29 February 2004.

Resolution 6

To approve and adopt the remuneration report for the year ended 29 February 2004.

Resolution 7

To re-appoint KPMG Audit Plc 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 determine their remuneration.

Resolution 8

To declare a final dividend of 1.0 pence net per ordinary share.

Resolution 9

That the Company be and is hereby authorised to:

- a) make donations to EU Political Organisations; and
- b) incur EU Political Expenditure

in an aggregate amount not exceeding £50,000 during the period ending on the date of the Company's Annual General Meeting in 2005. Such authority shall extend to enable any such donation to be made or expenditure to be incurred by the Company or by its wholly owned subsidiary, Citigate Public Affairs Limited. For the purposes of this resolution, 'donations', 'EU Political Organisations' and 'EU Political Expenditure' have the meanings set out in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000).

Explanation to Resolution 9

Authority is sought to enable the Company to enter into financial arrangements with organisations which may fall within the definition of 'political organisations' under the Political Parties, Elections and Referendums Act 2000 (the Act) which came into force on 16 February 2001 and which contains restrictions on companies making donations or incurring expenditure in relation to EU Political Organisations. The Act requires companies to seek shareholder approval for donations to organisations within the European Union which are, or could be, categorised as EU Political Organisations as provided for by the Act.

Although the Company does not intend to make donations to political parties within the normal meaning of that expression, as part of its normal work on behalf of clients and as part of its own marketing, the Company's public affairs subsidiary, Citigate Public Affairs Limited, needs to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made. The Company may also from time to time invite clients and prospective clients to attend events that could fall within the meaning of the Act's provisions. The Act defines 'donations' very broadly such that this sort of activity would fall within its ambit. It similarly defines EU Political Organisations very widely such that it may include, for example, bodies concerned with policy review and law reform, with representation of the business community or with the representation of their communities or special interest groups which the Company may wish to support.

The Company believes that the authority proposed under this resolution to allow it to fund activity which would bear the much broader meaning of a donation, as provided for by the Act, to a limit of £50,000 is necessary.

In accordance with the Act the Company will make disclosure in its next Annual Report of any donation made by it to an EU Political Organisation or any EU Political Expenditure incurred which is in excess of £200.

Special Business

Resolution 10

That the directors be and hereby are 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 £3,634,842 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 £3,634,842 being the whole of the authorised but unissued share capital of the Company and representing 38.4% 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, on the exercise of options and also on the issue of scrip dividends. The existing authority would be revoked and this authority would expire on the date of the 2005 Annual General Meeting or 1 October 2005, 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 and/or to sell equity securities held as treasury shares for cash pursuant to section 162D of the Act, in each case as if section 89(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to:

- (a) any such allotment and/or sale of equity securities in connection with an offer of securities (whether by way of a rights issue, open offer or otherwise), 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
- (b) any such allotment and/or sale (otherwise than pursuant to paragraph (a) above) of securities up to an aggregate nominal amount of £473,257 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 or equity securities held as treasury shares to be sold after such expiry and, notwithstanding such expiry, the directors may allot equity securities and/or sell equity securities held as treasury shares 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 and/or sell equity securities held as treasury shares 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 £473,257, 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 2005 Annual General Meeting or 1 October 2005, 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 5 pence each in the capital of the Company provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 28,393,579;
- (b) the minimum price which may be paid for any such ordinary share is 5 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 2005 Annual General Meeting or 1 October 2005, 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 2005 Annual General Meeting or 1 October 2005, 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. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 and the Companies (Acquisition of Own Shares) (Treasury Shares) No. 2 Regulations on 18 December 2003 (together, the Regulations). The Regulations enable companies to retain any of their own shares they have purchased (up to a maximum of 10% of issued share capital) as treasury stock with a view to possible re-issue at a future date, rather than cancelling them in accordance with current legislation. The Company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury stock. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively, and would provide the company with additional flexibility in the management of its capital base. The Company did not hold any Ordinary Shares as treasury stock at 5 May 2004.

This resolution specifies the maximum number of shares which may be acquired (being 14.999% of the Company's issued share capital as at 5 May 2004 of 189,303,150) 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

M G Butterworth
Company Secretary
5 May 2004



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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZL not later than 12 noon on 30 June 2004 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 (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.

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Registered number 2005521