

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2004**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **333-08354**

Reuters Group PLC

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

England

(Jurisdiction of incorporation or organization)

85 Fleet Street, London EC4P 4AJ, England

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
None

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Ordinary Shares of 25p each

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 25p each	1,435,492,506
Founders Share of £1	1

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

EXPLANATORY NOTE

This Form 20-F/A hereby amends Items 17 and 19 of the Reuters Group PLC's Annual Report on Form 20-F for the fiscal year ended 31 December 2004, which was filed on 9 March 2005. The purpose of this amendment is solely to include the 2004 Annual Financial Statements for Radianz Limited. Subsequent to filing of the original report, Reuters sold Radianz Limited to British Telecommunications plc. This amendment does not otherwise revise, update, amend or restate the information presented in the original report or reflect any events that have occurred after the original report was filed on 9 March 2005.

UNITED STATES OPINION

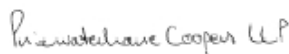
UNITED STATES OPINION

Report of Independent Registered Public Accounting Firm

In our opinion, the accompanying consolidated balance sheets and the related consolidated profit and loss account, consolidated cash flow statement and statement of total recognised gains and losses present fairly, in all material respects, the financial position of the Reuters Group PLC and its subsidiaries at 31 December, 2004, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended 31 December, 2004 in conformity with accounting principles generally accepted in the United Kingdom. These financial statements are the responsibility of the Group's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the Accounting policies, the Group changed its method of accounting for employee share ownership trusts, employee share schemes and transaction-related regulatory fees in 2004, in accordance with accounting principles generally accepted in the United Kingdom. The change has been accounted for by restating comparative information at 31 December 2003 and 2002 and for the years then ended.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in the Summary of differences between UK and US generally accepted accounting principles, as restated in the consolidated financial statements.



PricewaterhouseCoopers LLP

London

7 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	Notes	2004 £m	Restated 2003 £m	Restated 2002 £m
Revenue:				
Group and share of joint ventures		2,984	3,335	3,700
less share of joint ventures revenue		(99)	(100)	(107)
Group revenue	1	2,885	3,235	3,593
Operating costs	2	(2,688)	(3,105)	(3,735)
Operating profit/(loss)		197	130	(142)
Share of operating losses of joint ventures	16	(2)	(27)	(35)
Impairment of investments in joint ventures	16	–	(8)	(6)
Share of operating profits/(losses) of associates	16	6	(8)	(39)
Impairment of investment in associate	16	–	(1)	–
Profit/(loss) on disposal of subsidiary undertakings	31	9	3	(29)
Profit on disposal of joint ventures and associates	31	206	10	3
Share of profit on disposal of a business by a joint venture	16	9	–	–
Loss on disposal of tangible fixed assets		–	(17)	–
Profit/(loss) on disposal of other fixed asset investments	31	19	6	(2)
Income from fixed asset investments		1	–	1
Amounts written off investments	16	(4)	(3)	(75)
Net interest payable	3	(4)	(29)	(20)
Profit/(loss) on ordinary activities before taxation		437	56	(344)
Taxation on profit/(loss) on ordinary activities	4	(73)	(22)	(23)
Profit/(loss) on ordinary activities after taxation		364	34	(367)
Equity minority interests		(13)	16	112
Profit/(loss) attributable to ordinary shareholders		351	50	(255)
Dividends	5	(140)	(140)	(139)
Retained profit/(loss) for the period		211	(90)	(394)
Basic earnings/(loss) per ordinary share	6	25.1p	3.6p	(18.3p)
Diluted earnings/(loss) per ordinary share	6	24.5p	3.5p	(18.3p)

Consolidated revenue and operating profit derive from continuing operations in all material respects.

The result for the year has been computed on an unmodified historical cost basis.

2003 and 2002 have been restated following the adoption of UITF17 and UITF38, and the reclassification of transaction-related regulatory fees following recently issued SEC guidance (see 'Accounting Basis' on page 72).

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December

	Notes	2004 £m	Restated 2003 £m	Restated 2002 £m
Profit/(loss) attributable to ordinary shareholders		351	50	(255)
Unrealised gain on deemed partial disposal of subsidiary undertakings		–	–	1
Unrealised gain on deemed partial disposal of associates		–	–	12
Unrealised gains on disposal of fixed asset investments		–	–	10
Translation differences taken directly to reserves		(25)	(113)	(95)
Taxation on translation differences taken directly to reserves	4	(10)	–	–
Total recognised gains and losses relating to the year		316	(63)	(327)
Prior period adjustment (see 'Accounting Basis' on page 72)		151	–	–
Total gains and losses since last annual report		467	–	–

2003 and 2002 have been restated following the adoption of UITF17 and UITF38 (see 'Accounting Basis' on page 72).

A detailed statement showing the movement in capital and reserves is set out in note 26.

NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
01 SEGMENTAL ANALYSIS

The tables below show a segmental analysis of revenue, costs and results which reflect the way Reuters was managed during 2004 and the management of Instinet Group as a separate business within the Reuters Group. From 1 January 2004, management changed the structure of its Customer Segments to more closely reflect the communities they serve. This is explained in more detail on pages 7-8. Prior periods have been restated to reflect changes in the management of costs and revenues resulting from the change in segment structure, the adoption of UITF17 and UITF38, and the reclassification of transaction-related regulatory fees following recently issued SEC guidance (see 'Accounting Basis' on page 72).

Reuters revenue is allocated to Customer Segments by reference to product families which map directly to only one Customer Segment with two exceptions. Reuters Xtra family and Reuters Trader family revenues are initially fully attributed to the Sales & Trading Customer Segment. Those revenues earned from Research & Asset Management customers are then re-allocated to that Customer Segment based on management judgement and by reference to the activities at particular customer sites. Recoveries revenues arise when Reuters recharges costs, primarily exchange fees and communication costs, to customers. The revenues received from customers almost exactly match the exchange fees and communication costs incurred within Channel costs.

Segmental revenue less direct Customer Segment costs does not purport to represent segmental profitability. Direct Customer Segment costs include the costs of global Customer Segment management, marketing, non-integrated businesses and specific revenue related activities. The majority of revenue related costs are included within the Channels, Operations & Technology, Content and Corporate Services.

	2004 £m	% change	Restated 2003 £m	% change	Restated 2002 £m
Revenue					
Sales & Trading	1,180	(9%)	1,300	(11%)	1,461
Research & Asset Management	235	(19%)	290	3%	283
Enterprise	481	(14%)	560	(16%)	666
Media	144	(6%)	153	(2%)	155
Recoveries	321	(11%)	361	(15%)	427
Reuters	2,361	(11%)	2,664	(11%)	2,992
Instinet Group	530	(8%)	578	(5%)	610
	2,891	(11%)	3,242	(11%)	3,602
Share of joint ventures revenue	99	(1%)	100	(6%)	107
Intra-Group revenue	(6)	(22%)	(7)	(26%)	(9)
Gross revenue	2,984	(11%)	3,335	(10%)	3,700
Less share of joint ventures revenue	(99)	(1%)	(100)	(6%)	(107)
Group revenue	2,885	(11%)	3,235	(10%)	3,593
Operating costs					
Sales & Trading	(101)	(6%)	(107)	6%	(101)
Research & Asset Management	(75)	(49%)	(148)	10%	(135)
Enterprise	(42)	(44%)	(74)	(26%)	(101)
Media	(17)	(2%)	(17)	(38%)	(27)
Direct customer segment	(235)	(32%)	(346)	(5%)	(364)
Channels	(822)	(12%)	(940)	(14%)	(1,093)
Operations & Technology	(630)	(7%)	(674)	(7%)	(728)
Content	(262)	(6%)	(278)	(6%)	(295)
Corporate Services	(124)	8%	(114)	(43%)	(203)
Reuters	(2,073)	(12%)	(2,352)	(12%)	(2,683)
Instinet Group	(493)	(15%)	(582)	(32%)	(853)
Restructuring costs	(128)	(28%)	(178)	(15%)	(208)
Intra-Group costs	6	(22%)	7	(26%)	9
Group operating costs	(2,688)	(13%)	(3,105)	(17%)	(3,735)
Operating profit					
Sales & Trading	1,079	(9%)	1,193	(12%)	1,360
Research & Asset Management	160	12%	142	(4%)	148
Enterprise	439	(10%)	486	(14%)	565
Media	127	(6%)	136	6%	128

Segmental revenue less direct customer segment costs	1,805	(8%)	1,957	(11%)	2,201
Channels	(501)	(13%)	(579)	(13%)	(666)
Operations & Technology	(630)	(7%)	(674)	(7%)	(728)
Content	(262)	(6%)	(278)	(6%)	(295)
Corporate Services	(124)	8%	(114)	(43%)	(203)
Reuters	288	(8%)	312	1%	309
Instinet Group	37	-	(4)	(98%)	(243)
Restructuring costs	(128)	(28%)	(178)	(15%)	(208)
Group operating profit/(loss)	197	51%	130	-	(142)

Operating costs include amortisation and impairment of goodwill and other intangibles.

01 SEGMENTAL ANALYSIS continued

Revenue is normally invoiced in the geographical area in which the customer is located. Revenue earned, therefore, generally represents revenue both by origin and by destination.

The geographical analysis of performance reflects the revenues earned and operating costs incurred in each area excluding amortisation and impairment of goodwill and other intangibles and net currency gain.

By geography	2004 £m	% change	Restated 2003 £m	% change	Restated 2002 £m
Revenue					
Europe, Middle East and Africa	1,405	(9%)	1,552	(9%)	1,714
The Americas	1,075	(13%)	1,242	(9%)	1,372
Asia/Pacific	405	(8%)	441	(13%)	507
	2,885	(11%)	3,235	(10%)	3,593
Operating costs where incurred					
Europe, Middle East and Africa	(1,349)	(8%)	(1,470)	(5%)	(1,555)
The Americas	(1,024)	(19%)	(1,270)	(19%)	(1,566)
Asia/Pacific	(241)	(5%)	(253)	(18%)	(307)
	(2,614)	(13%)	(2,993)	(13%)	(3,428)
Contribution					
Europe, Middle East and Africa	56	(32%)	82	(48%)	159
The Americas	51	–	(28)	(85%)	(194)
Asia/Pacific	164	(13%)	188	(5%)	200
	271	12%	242	46%	165
Other costs					
Goodwill and other intangibles:					
Amortisation	(62)	(38%)	(101)	(5%)	(107)
Impairment	(14)	(29%)	(20)	(90%)	(208)
Net currency gain	2	(82%)	9	24%	8
Operating profit/(loss)	197	51%	130	–	(142)

United Kingdom and Ireland revenue was £380 million (2003: £428 million, 2002: £485 million). With the exception of Instinet Group, Reuters products are delivered and sold primarily through a common geographical infrastructure and delivered over a number of communications networks.

The impact of the Multex acquisition in 2003 and the Island acquisition in 2002 are reflected primarily in the Americas.

By type	2004 £m	% change	Restated 2003 £m	% change	Restated 2002 £m
Recurring	2,158	(12%)	2,449	(9%)	2,699
Usage	638	(6%)	681	(7%)	731
Outright	89	(15%)	105	(36%)	163
Revenue	2,885	(11%)	3,235	(10%)	3,593

Recurring revenue is derived from the sale of subscription services, including maintenance contracts. Usage revenue is principally derived from Instinet Group, Dealing 2000-2, Dealing 3000 Spot Matching and Bridge Trading Company. Outright revenue comprises one-off sales including information and risk management solutions.

NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
continued
02 OPERATING COSTS

	2004 £m	% change	Restated 2003 £m	% change	Restated 2002 £m
Costs by type					
Salaries, commission and allowances	916	(9%)	1,011	(14%)	1,178
Social security costs	70	(3%)	73	(8%)	79
Pension costs (see note 23)	34	(34%)	50	(21%)	65
Staff costs	1,020	(10%)	1,134	(14%)	1,322
Services	699	(3%)	722	(11%)	811
Depreciation	133	(31%)	193	(15%)	227
Data	257	(14%)	300	(13%)	343
Communications	313	(17%)	376	(10%)	420
Space	202	(25%)	269	(14%)	312
Cost of sales and other	41	(13%)	48	(25%)	64
Goodwill and other intangibles (see note 14):					
Amortisation	62	(38%)	101	(5%)	107
Impairment	14	(29%)	20	(90%)	208
Other operating income	(51)	6%	(48)	(32%)	(71)
Currency hedging activities – net loss/(gain)	–	(100%)	11	–	(10)
Foreign exchange differences – net (gain)/loss	(2)	(92%)	(21)	–	2
Total costs by type	2,688	(13%)	3,105	(17%)	3,735

Prior periods have been restated following the adoption of UITF17 and UITF38, and the reclassification of transaction-related regulatory fees following recently issued SEC guidance (see 'Accounting Basis' on page 72).

The directors believe that the nature of Reuters Group's business is such that the format of the analysis of operating costs required by the Companies Act 1985 is not appropriate. The format has been adopted in a manner consistent with Reuters Group's activities. Services include equipment hire and bought-in services, including consultancy and contractors, advertising and publicity, professional fees and staff-related expenses. Other operating income primarily comprises amounts received from joint ventures in respect of costs incurred by Reuters on their behalf.

	2004 £m	% change	Restated 2003 £m	% change	Restated 2002 £m
Costs by function					
Production and communications	1,519	(9%)	1,661	(15%)	1,947
Selling and marketing	529	(9%)	580	1%	574
Support services and administration	438	(24%)	575	(18%)	699
Goodwill and other intangibles:					
Amortisation	62	(38%)	101	(5%)	107
Impairment	14	(29%)	20	(90%)	208
Restructuring costs	128	(28%)	178	(15%)	208
Net currency gain	(2)	(82%)	(10)	25%	(8)
Total costs by function	2,688	(13%)	3,105	(17%)	3,735
Costs include					
Development expenditure	128	(25%)	171	(15%)	200
Operating lease expenditure:					
Hire of equipment	7	(14%)	8	(11%)	9
Other, principally property	90	(16%)	107	(4%)	112
Loss on disposal of tangible fixed assets	3	–	–	–	1
Advertising	29	(22%)	37	18%	32

02 OPERATING COSTS continued

Fees payable to PricewaterhouseCoopers LLP were as follows:

	2004 £m	% change	2003 £m	% change	2002 £m
Audit services:					
Statutory audit	3.2	7%	3.0	30%	2.3
Audit related services:					
Regulatory reporting	0.2	100%	0.1	(50%)	0.2
Further assurance services	1.7	–	1.7	6%	1.6
Tax services:					
Compliance services	0.3	(63%)	0.8	(11%)	0.9
Advisory services	2.0	150%	0.8	14%	0.7
Other services:					
Management consultancy	–	–	–	–	3.4
Total fees	7.4	16%	6.4	(30%)	9.1
United Kingdom	2.8	8%	2.6	(60%)	5.8
Overseas	4.6	21%	3.8	15%	3.3

The statutory audit fee includes £10,000 (2003: £10,000, 2002: £10,000) in respect of the parent company audit.

Also included above are fees paid to PricewaterhouseCoopers LLP in respect of non-audit services in the UK of £1.4 million (2003: £0.9 million, 2002: £4.9 million).

Further assurance services include assistance with Sarbanes-Oxley S404 compliance (including the attest work in relation to Instinet Group's 2004 reporting requirements under the Act) and conversion to International Financial Reporting Standards (IFRS) as well as due diligence activities related to acquisitions and disposals. Tax compliance services include assistance with corporation and other tax returns. Tax advisory services relate to tax planning and employee-related issues.

Management consultancy fees include amounts earned in 2002 by PwC Consulting, which ceased to be part of PricewaterhouseCoopers LLP on 1 October 2002.

The directors consider it important that Reuters Group has access to a broad range of external advice, including from PricewaterhouseCoopers LLP. Where appropriate, work is put out to competitive tender. The Audit Committee monitors the relationship with PricewaterhouseCoopers LLP, including the level of non-audit fees.

03 NET INTEREST RECEIVABLE/(PAYABLE)

	2004 £m	2003 £m	2002 £m
Interest receivable:			
Listed investments	–	–	1
Unlisted investments	22	13	19
Share of joint ventures and associates interest (see note 16)	1	5	9
Interest receivable	23	18	29
Interest payable:			
Bank loans and overdraft	(2)	(10)	(4)
Other borrowings	(24)	(36)	(45)
Unwinding of discounts	(1)	(1)	–
Interest payable	(27)	(47)	(49)
Total net interest payable	(4)	(29)	(20)

NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
 continued

04 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004 £m	2003 £m	2002 £m
UK corporation tax			
UK corporation tax on profits of the period	25	68	43
Share of joint ventures and associates tax (see note 16)	1	1	–
Adjustments in respect of prior periods	(32)	(19)	(13)
	(6)	50	30
Double taxation relief	(3)	(4)	(7)
	(9)	46	23
Foreign tax			
Current tax on income for the period	56	26	82
Share of joint ventures and associates tax (see note 16)	2	6	6
Adjustments in respect of prior periods	(9)	(36)	(9)
	49	(4)	79
Current tax charge for the period	40	42	102
Deferred taxation (see note 24)	33	(20)	(79)
Taxation on profit on ordinary activities	73	22	23

A reconciliation of the current tax charge on ordinary activities for the period reported in the profit and loss account is set out below.

	2004 £m	Restated 2003 £m	Restated 2002 £m
Profit/(loss) before tax	437	56	(344)
Corporation tax on pre-tax profit/(loss) at UK nominal rate of 30%	131	17	(103)
Non-tax deductible amortisation and impairment of goodwill and other intangibles	21	30	88
Adjustments in respect of prior years	(41)	(55)	(22)
Permanent differences	11	7	13
Non-taxable investment impairments and disposals	(66)	3	32
Fixed asset related timing differences	(2)	(12)	1
Non-fixed asset related timing differences	(10)	(15)	39
Tax losses (utilised)/not utilised in period	(6)	56	35
Tax on dividend received on acquisition of Island	–	–	10
Other differences	2	11	9
Total current tax	40	42	102

The other differences are primarily due to overseas profits taxed at rates differing from those in the UK and the geographical mix of profits.

Tax paid in the period on disposals was £9 million (2003: £1 million, 2002: £nil). No tax is expected to fall due in respect of the proposed disposal of Radianz.

£10 million of UK corporation tax in respect of unrealised translation differences arising in 2004 is recognised in the Statement of Total Recognised Gains and Losses (2003 and 2002: £nil).

05 DIVIDENDS

	2004 £m	2003 £m	2002 £m
Interim paid	54	54	53
Final (2004 proposed)	86	86	86
	140	140	139
Per ordinary share	Pence	Pence	Pence
Interim paid	3.85	3.85	3.85
Final (2004 proposed)	6.15	6.15	6.15
	10.00	10.00	10.00

06 EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share are based on the results attributable to ordinary shareholders and on the weighted average number of those shares in issue during the year. The weighted average number of shares in issue may be reconciled to the number used in the basic and diluted earnings per ordinary share calculations as follows:

Weighted average number in millions	2004	2003	2002
Ordinary shares in issue	1,434	1,432	1,432
Non-vested shares held by employee share ownership trusts	(34)	(36)	(37)
Basic earnings per share denominator	1,400	1,396	1,395
Issuable under employee share schemes	34	18	–
Diluted earnings per share denominator	1,434	1,414	1,395

07 REMUNERATION OF DIRECTORS

Section 9 of the Remuneration Report on pages 36-40 includes details of directors' emoluments, pension arrangements, long-term incentive plans and stock option plans, and forms part of these financial statements.

08 EMPLOYEE INFORMATION

The average number of employees during the year was as follows:

By customer segment	2004	Restated 2003	Restated 2002
Sales & Trading	334	285	143
Research & Asset Management	765	1,353	1,437
Enterprise	324	343	439
Media	70	93	140
Direct customer segment	1,493	2,074	2,159
Channels	5,074	5,431	5,843
Operations & Technology	3,509	3,563	3,633
Content	3,546	3,399	3,348
Corporate Services	1,243	1,533	1,619
Reuters	14,865	16,000	16,602
Instinet Group	1,115	1,345	1,731
Total	15,980	17,345	18,333
By location			
Europe, Middle East and Africa	7,781	8,743	8,920
The Americas	5,378	6,065	6,874
Asia/Pacific	2,821	2,537	2,539
Total	15,980	17,345	18,333

By function

Production and communications	8,868	9,022	9,658
Selling and marketing	4,404	4,846	5,146
Support services and administration	2,708	3,477	3,529
Total	15,980	17,345	18,333
The above include:			
Development staff	2,282	2,123	2,109

The average number of employees during 2004 included 181 temporary staff (2003: 211, 2002: 281). Staff cost information is included in note 2. Prior periods have been restated to reflect changes in the management of the business, as explained in note 1 on page 44.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

	Notes	2004 £m	2003 £m	2002 £m
Net cash inflow from operating activities	9	253	429	355
Dividends received from joint ventures and associates		4	3	2
Returns on investments and servicing of finance				
Interest received		19	17	20
Interest paid		(30)	(45)	(58)
Income from fixed asset investments		1	–	1
Dividends paid to equity minority interests		–	–	(27)
Net cash outflow from returns on investments and servicing of finance		(10)	(28)	(64)
Taxation paid		(43)	(33)	(73)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(109)	(131)	(168)
Sale of tangible fixed assets		66	13	15
Purchase of fixed asset investments		(1)	(3)	(80)
Sale of fixed asset investments		25	11	22
Net cash outflow on capital expenditure and financial investment		(19)	(110)	(211)
Acquisitions and disposals (including joint ventures and associates)	10	362	(106)	(6)
Equity dividends paid		(140)	(140)	(139)
Cash inflow/(outflow) before management of liquid resources and financing		407	15	(136)
Management of liquid resources				
Net (increase)/decrease in short-term investments	10	(164)	(99)	378
Financing				
Proceeds from the issue of shares	26	6	–	2
Net decrease in borrowings	10	(225)	(13)	(158)
Net cash outflow from financing		(219)	(13)	(156)
Increase/(decrease) in cash	11	24	(97)	86

	Notes	2004 £m	2003 £m	2002 £m
Reconciliation of net cash flow to movement in net funds/(debt)				
Increase/(decrease) in cash		24	(97)	86
Cash outflow from movement in borrowings	10	225	13	158
Cash outflow/(inflow) from movement in liquid resources	10	164	99	(378)
Change in net funds/(debt) resulting from cash flows		413	15	(134)
Net (debt)/funds arising on acquisitions/disposals		(1)	3	1
Non-cash movements		5	–	–
Translation differences		(14)	(29)	(71)
Movement in net funds/(debt)		403	(11)	(204)
Opening net (debt)/funds	11	(77)	(66)	138
Closing net funds/(debt)	11	326	(77)	(66)

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT
09 NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit is reconciled to net cash inflow from operating activities as follows:

	2004 £m	Restated 2003 £m	Restated 2002 £m
Operating profit/(loss)	197	130	(142)
Depreciation	133	193	227
Amortisation and impairment of goodwill and other intangibles	76	121	315
(Increase)/decrease in stocks	(1)	(1)	2
Decrease in debtors	148	316	241
Decrease in creditors	(341)	(316)	(314)
Loss on disposal of tangible fixed assets	3	–	1
Employee share scheme charge/(credit)	18	(16)	1
Other, principally translation differences	20	2	24
Net cash inflow from operating activities	253	429	355

10 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £m	2003 £m	2002 £m
Acquisitions and disposals (including joint ventures and associates)			
Cash consideration:			
Subsidiary undertakings (see note 31)	(66)	(155)	(41)
Joint ventures	–	–	(2)
Loans (repaid to)/from joint ventures and associates (see note 16)	(5)	(3)	6
Deferred payments for acquisitions in prior years	(8)	(11)	(5)
	(79)	(169)	(42)
Less cash disposed (net of cash acquired)	(13)	38	29
	(92)	(131)	(13)
Cash received from disposals (including deemed disposals):			
Subsidiary undertakings	70	10	4
Joint ventures and associates	379	15	3
Instinet (deemed disposal)	5	–	–
Net cash inflow/(outflow) on acquisitions and disposals	362	(106)	(6)
Management of liquid resources			
(Increase)/decrease in term deposits	(39)	(5)	84
Sale of certificates of deposit	–	–	1
Purchase of listed/unlisted securities	(2,083)	(3,582)	(4,587)
Sale of listed/unlisted securities	1,958	3,488	4,880
Net cash (outflow)/inflow from movement in short-term investments	(164)	(99)	378
Financing			
Decrease in short-term borrowings	(168)	(78)	(173)
(Decrease)/increase in long-term borrowings	(57)	65	15
Net cash outflow from movement in borrowings	(225)	(13)	(158)

11 ANALYSIS OF NET FUNDS

	Cash at bank and in hand £m	Overdrafts £m	Total cash and overdrafts £m	Short-term investments £m	Bank/other borrowings		Total £m
					Falling due within one year £m	Falling due after more than one year £m	
31 December 2002	158	(19)	139	570	(422)	(353)	(66)
Cash flow	(86)	(11)	(97)	99	78	(65)	15
Exchange movements	–	1	1	(50)	8	12	(29)

Arising on acquisition	-	-	-	3	-	-	3
31 December 2003	72	(29)	43	622	(336)	(406)	(77)
Cash flow	13	11	24	164	168	57	413
Non-cash movements	-	-	-	5	-	-	5
Exchange movements	(2)	1	(1)	(36)	4	19	(14)
Arising on (disposals)/acquisitions	-	-	-	(2)	-	1	(1)
31 December 2004	83	(17)	66	753	(164)	(329)	326

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

continued

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Discussion of the Group's objectives and policies for the management of financial instruments and associated risks together with information relating to hedging activities is included under 'Treasury policies, financing and foreign exchange' in the Operating and Financial Review on pages 21-22.

A substantial portion of Reuters Group revenue is receivable in foreign currencies with terms of payment up to three months in advance. As such, Reuters Group is subject to currency exposure from committed revenue and, additionally, to interest rate risk from borrowing and the investment of cash balances. Reuters Group seeks to limit these risks by entering into a mix of derivative financial instruments.

If the derivative financial instruments were considered separately from the underlying future revenue and interest, Reuters Group would be subject to market risk on these financial instruments from fluctuations in currency and interest rates. Reuters Group only enters into such derivative financial instruments to hedge (or reduce) the underlying exposure described above. There is, therefore, no net market risk on such derivative financial instruments and only a credit risk from the potential non-performance by counterparties. The amount of this credit risk is generally restricted to any hedging gain and not the principal amount hedged.

Derivative instruments held at 31 December were:

	2004			2003			2002		
	Gross contract amounts £m	Carrying value £m	Fair value £m	Gross contract amounts £m	Carrying value £m	Fair value £m	Gross contract amounts £m	Carrying value £m	Fair value £m
Foreign exchange forward contracts:									
Contracts in profit	124	1	1	102	–	1	96	–	7
Contracts in loss	271	(1)	(1)	63	–	(1)	154	–	(6)
Foreign currency options:									
Contracts in profit	–	–	–	23	–	1	194	2	1
Contracts in loss	–	–	–	88	–	(1)	60	–	(1)
Currency and interest rate swaps:									
Contracts in profit	373	54	64	614	26	27	361	12	16
Contracts in loss	5	–	–	67	–	–	203	(14)	(17)
Total	773	54	64	957	26	27	1,068	–	–

The fair values of foreign currency and interest rate management instruments are estimated on the basis of market quotes, discounted to current value using market-quoted interest rates.

The following table provides an analysis by currency of derivative contracts held for currency hedging purposes as at 31 December. Comparatives have been restated to reflect the inclusion of Swiss franc in the analysis.

	2004			Restated 2003			Restated 2002		
	Swaps %	Forwards %	Options %	Swaps %	Forwards %	Options %	Swaps %	Forwards %	Options %
Euro	8	28	–	5	51	100	–	54	100
Japanese yen	3	2	–	9	3	–	–	33	–
Swiss franc	19	15	–	13	3	–	–	–	–
US dollar	70	37	–	73	30	–	–	–	–
Other	–	18	–	–	13	–	–	13	–
Total	100	100	–	100	100	100	–	100	100

Foreign exchange forward contracts mature at dates up to February 2005; currency swaps and interest rate swaps both mature at various dates through to November 2010.

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

The results of currency and interest rate hedging activities for the three years to December 2004 are as summarised below:

	Year to 31 December		
	2004 £m	2003 £m	2002 £m
Recognised gains/(losses)			
Currency hedging	29	11	10
Interest rate hedging	10	(3)	(2)

Recognised currency hedging gains in 2004 were favourable mainly due to the effect of the weaker US dollar on hedges of the net investment in overseas subsidiaries.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements, are set out below:

Hedging	Gain £m	(Losses) £m	Net £m
Unrecognised at 1 January 2004	5	(4)	1
Arising in previous years:			
Recognised in 2004	4	(2)	2
Not recognised in 2004	1	(2)	(1)
Arising in 2004:			
Not recognised in 2004	11	–	11
Unrecognised at 31 December 2004	12	(2)	10
Of which:			
Expected to be recognised in 2005	1	(1)	–
Expected to be recognised in 2006 or later	11	(1)	10

Net unrecognised gains on derivatives used for hedging were £10 million at 31 December 2004 compared to £1 million at 31 December 2003 and £nil at 31 December 2002.

The weighted average variable rate payable on the interest rate swaps used to alter the currency and interest rate profile of debt issued at 31 December 2004 was 3% (2003: 3%, 2002: 4%). The weighted average variable rate is based on the rate implied in the yield curve at the balance sheet date.

All derivative instruments are unsecured. However, Reuters Group does not anticipate non-performance by the counterparties who are all banks with recognised long-term credit ratings of 'A3/A-' or higher.

Carrying and fair values of Group financial assets and liabilities at 31 December were:

	2004		2003		2002	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Derivative instruments	54	64	26	27	–	–
Other financial assets:						
Fixed asset investments	28	34	54	73	66	67
Long-term debtors	20	20	21	21	12	12
Investments held for sale (see note 16)	108	194	–	–	–	–
Other short-term investments and cash	836	836	694	694	728	728
Other financial liabilities:						
Short-term borrowings	(181)	(181)	(365)	(365)	(441)	(441)
Long-term borrowings	(329)	(329)	(406)	(406)	(353)	(353)
Other financial liabilities	(97)	(97)	(113)	(113)	(88)	(88)

The fair value of fixed asset investments and investments held for sale is the carrying value unless the investment has a readily determinable market value which is higher.

The fair value of listed short-term investments was based on quoted market prices for those investments. The carrying amount of the other short-term deposits and investments approximated to their fair values due to the short maturity of the instruments held.

The fair value of short-term borrowings approximated to the carrying value due to the short maturity of the investments.

Short-term debtors and creditors have been excluded from the above analysis and all other disclosures in this note, other than the currency risk disclosures.

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

continued

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Financial instrument sensitivity analysis

The analysis below summarises the sensitivity of the fair value of the Group's financial instruments to hypothetical changes in market rates. Fair values are the present value of future cash flows based on market rates at the valuation date.

The estimated adverse changes in the fair value of financial instruments are based on an instantaneous:

- i) 1% increase in the specific rate of interest from the levels effective at 31 December 2004 with all other variables remaining constant; and
- ii) 10% weakening in the value of sterling against all other currencies from the levels applicable at 31 December 2004 with all other variables remaining constant.

	Fair value £m	1% increase in interest rates (adverse) £m	Fair value changes arising from 10% weakening in £ against other currencies (adverse) £m
Currency and interest rate swaps	64	(27)	(10)
Forward contracts	–	–	(16)
Total	64	(27)	(26)

Monetary assets and liabilities by currency, after cross-currency swaps, excluding the functional currency of each operation at 31 December 2004, were:

	Net foreign currency monetary assets/(liabilities)							Total £m
	Sterling £m	US dollar £m	Euro £m	Swiss franc £m	Japanese yen £m	Hong Kong dollar £m	Other £m	
Functional currency of operation:								
Sterling	–	(71)	42	(6)	1	–	22	(12)
US dollar	(15)	–	(21)	(16)	–	–	(2)	(54)
Euro	–	(4)	–	–	–	–	1	(3)
Swiss franc	(23)	2	3	–	(1)	–	–	(19)
Japanese yen	1	–	–	–	–	–	–	1
Hong Kong dollar	1	18	–	–	5	–	–	24
Other	–	4	(1)	–	–	–	–	3
Total	(36)	(51)	23	(22)	5	–	21	(60)

Exchange differences that arise as a consequence of trading transactions and the translation of monetary assets and liabilities are taken to the profit and loss account. In accordance with the Group's accounting policy, exchange differences attributable to long-term foreign currency borrowings used to finance the Group's foreign currency investments are taken directly to reserves. Consequently, long-term foreign currency borrowings have been excluded from the above table.

The currency and interest rate profile of the Group's financial assets at 31 December 2004 was:

	Cash and short-term investments				Fixed rate investments	
	Total £m	Non-interest bearing assets £m	Floating rate investments £m	Fixed rate investments £m	Weighted average interest rate at 31 December %	Weighted average time for which rate is fixed Years
Sterling	416	80	336	–	–	–
US dollar	469	58	411	–	–	–
Euro	33	7	26	–	–	–
Other	74	11	58	5	–	3
31 December 2004	992	156	831	5	–	3
31 December 2003	769	75	673	21	2%	1

Interest on floating rate investments is earned at rates based on local money market rates. Floating rate investments include £370 million (2003: £303 million, 2002: £135 million) of money market deposits which mature within three months of the balance sheet date.

Fixed rate investments are those investments which have an interest rate fixed for a period of greater than one year.

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

The currency and interest rate profile of the Group's financial liabilities, after allowing for interest rate and cross-currency swaps, at 31 December 2004 was:

	Total £m	Other financial liabilities £m	Borrowings
			Floating rate borrowings £m
Sterling	280	60	220
US dollar	271	21	250
Euro	25	13	12
Swiss franc	27	2	25
Other	4	1	3
31 December 2004	607	97	510
31 December 2003	884	113	771
31 December 2002	882	88	794

The floating rate borrowings comprise bank loans and overdrafts bearing interest at rates based on local money market rates, commercial paper and medium-term notes. The weighted average interest rate on borrowings at 31 December 2004 was 4% (2003: 4%, 2002: 4%). The above analysis excludes creditors falling due within one year which are of a non-financial nature.

Total financial liabilities are repayable as follows:

	2004		2003		2002	
	Borrowings £ m	Other financial liabilities £m	Borrowings £m	Other financial liabilities £m	Borrowings £m	Other financial liabilities £m
Within one year	181	32	365	55	441	35
Between one and two years	19	19	58	19	282	23
Between two and five years	5	18	24	39	71	30
Over five years	305	28	324	—	—	—
Total	510	97	771	113	794	88

In April 2003, Reuters entered into a committed syndicated credit facility for £1.0 billion. £520 million of the facility either expired or was voluntarily cancelled in 2004. At 31 December 2004, Reuters had £480 million available under the facility. The facility was undrawn during 2004. The commitment expires and final repayment is due in April 2008.

At the same time as the syndicated credit facility was arranged, committed bilateral facilities of £90 million were also put in place on similar terms. During 2004, £66 million of the facilities either expired or were voluntarily cancelled. At 31 December 2004, Reuters had £24 million available, all of which was undrawn. No loans were outstanding under this facility during 2004.

In addition, at 31 December 2004, the Group had unused, short-term, uncommitted bank borrowing facilities denominated in various currencies, the sterling equivalent of which was approximately £200 million, at money market rates varying principally between 2% and 6%, depending on the currency.

CONSOLIDATED BALANCE SHEET

at 31 December

	Notes	2004 £m	Restated 2003 £m	Restated 2002 £m
Fixed assets				
Intangible assets	14	268	375	418
Tangible assets	15	355	481	601
Investments	16			
Investments in joint ventures:				
Share of gross assets		110	108	207
Share of gross liabilities		(50)	(56)	(110)
		60	52	97
Share of net assets of associates		23	230	266
Other investments		28	54	66
		734	1,192	1,448
Current assets				
Stock	17	3	2	1
Debtors	18	544	708	1,019
Deferred taxation	24	234	273	260
Investments:				
Investments held for sale	16	108	–	–
Other short-term investments	19	753	622	570
Cash at bank and in hand		83	72	158
		1,725	1,677	2,008
Creditors: Amounts falling due within one year	20	(1,257)	(1,766)	(2,198)
Net current assets/(liabilities)		468	(89)	(190)
Total assets less current liabilities		1,202	1,103	1,258
Creditors: Amounts falling due after more than one year	21	(348)	(425)	(354)
Provisions for liabilities and charges				
Pensions and similar obligations	23	(49)	(63)	(59)
Deferred taxation	24	(29)	(33)	(27)
Other provisions	25	(164)	(175)	(159)
		612	407	659
Capital and reserves	26			
Called-up share capital		359	358	358
Share premium account		96	91	91
Other reserve		(1,717)	(1,717)	(1,717)
Capital redemption reserve		1	1	1
Profit and loss account reserve		1,673	1,479	1,695
		412	212	428
Equity minority interests		200	195	231
		612	407	659
Capital employed		612	407	659

Restated following the adoption of UITF17 and UITF38 (see 'Accounting Basis' on page 72).

The balance sheet of Reuters Group PLC is shown on page 71.

The financial statements on pages 43-73 and the 'Summary of differences between UK and US generally accepted accounting principles' on pages 74-80 were approved by the directors on 7 March 2005.



Tom Glocer
CEO

David Grigson
CFO

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December

	2004 £m	Restated 2003 £m	Restated 2002 £m
Retained profit/(loss) for the period	211	(90)	(394)
Unrealised gain on deemed partial disposal of subsidiary undertakings	–	–	1
Unrealised gain on deemed partial disposal of associates	–	–	12
Unrealised gain on disposal of fixed asset investments	–	–	10
Translation differences taken directly to reserves	(25)	(113)	(95)
Taxation on translation differences taken directly to reserves	(10)	–	–
Shares issued during the year	6	–	2
Amounts credited/(charged) in respect of employee share schemes	18	(13)	1
Purchase of own shares	–	–	(65)
Net movement in shareholders' equity	200	(216)	(528)
Opening shareholders' equity as previously stated	286	496	1,109
Prior period adjustment (see 'Accounting Basis' on page 72)	(74)	(68)	(153)
Opening shareholders' equity as restated	212	428	956
Closing shareholders' equity	412	212	428

NOTES ON THE CONSOLIDATED BALANCE SHEET
13 SEGMENTAL ANALYSIS

The tables below show total assets and non-interest bearing net assets by Customer Segment and by location on a basis consistent with the segmental analysis of profit in note 1. For the reasons discussed in that note, the assets in any location are not matched with the revenue earned in that location.

	Total assets			Non-interest bearing net assets		
	2004 £m	Restated 2003 £m	Restated 2002 £m	2004 £m	Restated 2003 £m	Restated 2002 £m
By customer segment						
Sales & Trading	157	303	353	59	173	197
Research & Asset Management	130	111	132	82	29	30
Enterprise	39	34	54	11	(8)	5
Media	32	118	145	12	47	79
Total Customer Segment	358	566	684	164	241	311
Channels	135	355	395	21	204	223
Operations & Technology	317	258	378	201	155	190
Content	22	27	27	(51)	(55)	(66)
Corporate Services	57	98	117	30	61	68
Central	652	411	511	(109)	(113)	(80)
Instinet Group	918	1,154	1,344	30	(9)	79
Total assets/non-interest bearing net assets	2,459	2,869	3,456	286	484	725
Interest bearing net assets/(liabilities)				326	(77)	(66)
Total net assets				612	407	659

Central total assets by customer segment consist principally of Reuters cash and short-term investments.

	Total assets			Non-interest bearing net assets		
	2004 £m	Restated 2003 £m	Restated 2002 £m	2004 £m	Restated 2003 £m	Restated 2002 £m
By location						

Europe, Middle East and Africa	647	974	1,381	(40)	203	633
The Americas	1,072	1,323	1,660	269	117	253
Asia/Pacific	157	157	192	57	42	40
Central	583	415	223	-	122	(201)
<hr/>						
Total assets/non-interest bearing net assets	2,459	2,869	3,456	286	484	725
<hr/>						
Fixed assets	734	1,192	1,448			
Current assets	1,725	1,677	2,008			
<hr/>						
Total assets	2,459	2,869	3,456			
<hr/>						

Central total assets by location consist principally of those assets held by head office operations together with unamortised goodwill and other intangibles.

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

14 INTANGIBLE ASSETS

	Goodwill £m	Trade names £m	Technology know-how £m	Total £m
Cost				
31 December 2003	1,036	39	161	1,236
Exchange differences	(30)	–	(7)	(37)
Additions	6	–	1	7
Disposals	(82)	–	–	(82)
Adjustments (see note 31 on page 69)	(6)	–	–	(6)
31 December 2004	924	39	155	1,118
Amortisation and impairment				
31 December 2003	(798)	(11)	(52)	(861)
Exchange differences	16	–	3	19
Disposals	68	–	–	68
Charged in the year:				
Amortisation	(38)	(3)	(21)	(62)
Impairment	(14)	–	–	(14)
31 December 2004	(766)	(14)	(70)	(850)
Net book amount				
31 December 2004	158	25	85	268
31 December 2003	238	28	109	375

15 TANGIBLE ASSETS

	Freehold property £m	Leasehold property £m	Computer systems equipment £m	Office equipment and motor vehicles £m	Total £m
Cost					
31 December 2003	245	214	1,040	247	1,746
Exchange differences	(6)	(12)	(34)	(10)	(62)
Additions	1	32	69	9	111
Disposals	(83)	(47)	(215)	(53)	(398)
31 December 2004	157	187	860	193	1,397
Depreciation					
31 December 2003	(97)	(112)	(853)	(203)	(1,265)
Exchange differences	6	3	32	5	46
Charged in the year	(9)	(11)	(97)	(16)	(133)
Disposals	27	27	208	48	310
31 December 2004	(73)	(93)	(710)	(166)	(1,042)
Net book amount					
31 December 2004	84	94	150	27	355
31 December 2003	148	102	187	44	481

Net book amount of leasehold property

	£m	£m
Long-term leaseholds	32	44
Short-term leaseholds	62	58
Total leasehold property	94	102
Contracted capital commitments not provided	37	14

16 INVESTMENTS

	Interests in joint ventures £m	Interests in associates £m	Interests in own shares £m	Other investments £m	Total £m
Fixed asset investments					
Net assets/cost					
31 December 2003 as previously stated	52	226	74	54	406
Prior period adjustment	–	–	(74)	–	(74)
31 December 2003 as restated	52	226	–	54	332
Reclassifications	–	(31)	–	–	(31)
Exchange differences	–	(6)	–	(1)	(7)
Arising in year – share of:					
Operating (losses)/profits	(2)	7	–	–	5
Profit on disposal of business	9	–	–	–	9
Interest receivable	1	–	–	–	1
Taxation	(1)	(2)	–	–	(3)
Dividends received	(2)	(2)	–	–	(4)
Loans repaid to joint ventures (see note 29)	5	–	–	–	5
Disposals (see note 31)	–	(172)	–	(24)	(196)
Impairment	–	–	–	(1)	(1)
Shareholder taxes	(2)	–	–	–	(2)
31 December 2004	60	20	–	28	108
Goodwill					
31 December 2003	–	4	–	–	4
Charged in the year	–	(1)	–	–	(1)
31 December 2004	–	3	–	–	3
Net book amount					
Net assets/cost	60	20	–	28	108
Goodwill	–	3	–	–	3
31 December 2004	60	23	–	28	111
Net book amount					
Net assets/cost as previously stated	52	226	74	54	406
Prior period adjustment	–	–	(74)	–	(74)
Net assets/cost as restated	52	226	–	54	332
Goodwill	–	4	–	–	4
31 December 2003 as restated	52	230	–	54	336
Fixed asset listed investments at 31 December 2004					
Carrying value	–	–	–	13	13
Market value	–	–	–	19	19
Current asset investments					
Cost					
31 December 2003	–	–	–	–	–
Reclassifications	–	–	–	31	31
Additions	–	–	–	82	82
Exchange differences	–	–	–	(2)	(2)
Impairment	–	–	–	(3)	(3)
31 December 2004	–	–	–	108	108
Current asset listed investments at 31 December 2004					

Carrying value	–	–	–	29	29
Market value	–	–	–	115	115

Prior to the adoption by the Group of UITF38 'Accounting for ESOP Trusts', the shares held in Reuters Group PLC by the Reuters ESOTs were held as a fixed asset investment. In accordance with the requirements of UITF38, these shares have been deducted from shareholders' equity. This change has been accounted for as a prior period adjustment and previously reported figures have been restated accordingly (see note 26 on page 66).

Fixed asset other investments consist principally of small equity investments. Impairment write downs have been made when, based on directors' valuations, a permanent diminution in the carrying value of the investment has occurred.

The reclassification of investments from interests in associates within fixed asset investments to other investments within current asset investments arises from the part-disposal of Reuters interest in TSI (see note 31 on page 69), and reflects management's intention to dispose of its remaining shareholding.

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

16 INVESTMENTS continued

On 16 November 2004, Reuters purchased the 49% of the voting shares of Radianz that it did not already own from Equant, thereby increasing its shareholding from 51% to 100% of voting shares. The acquisition of the additional 49% stake is included within current asset investments. The 49% was acquired with a view to resale, and the stake has not been previously consolidated in the Group financial statements. As permitted by the Companies Act, Radianz has not been consolidated at 31 December 2004. The original investment has continued to be equity accounted in accordance with FRS 9 'Associates and Joint Ventures', as shown in the table above. The aggregated capital and reserves of Radianz as at 31 December 2004 were £96 million and the loss for the year was £7 million. Balances between Reuters and Radianz as at 31 December 2004 and details of the nature and extent of transactions between the two parties during the year are given in note 29 'Related Party Transactions'. During 2004, Reuters wrote down the carrying value of its investment in Radianz by £3 million.

Had all listed investments been disposed of on 31 December 2004, no tax would have been payable on the assumption that none of the earnings would be repatriated. 1.0 million TSI shares subject to in-the-money options held by Reuters employees who worked at TIBCO Finance Technology Inc., a former Reuters subsidiary which was incorporated into other Reuters businesses in 2001, have been included in the market value of current asset investments at the value of the option proceeds.

17 STOCK

	2004 £m	2003 £m	2002 £m
Contract work in progress	3	2	2
Less progress payments	–	–	(2)
	3	2	–
Equipment stock	–	–	1
Total stock	3	2	1

18 DEBTORS

	2004 £m	2003 £m	2002 £m
Amounts falling due within one year			
Trade debtors	162	211	249
Less allowance for doubtful accounts	(31)	(41)	(52)
	131	170	197
Instinet counterparty debtors	216	356	514
Amounts owed by joint ventures and associates	11	21	81
Other debtors	96	84	149
Prepayments and accrued income	70	56	66
	524	687	1,007
Amounts falling due after more than one year			
Other debtors	15	16	12
Prepayments and accrued income	5	5	–
Total debtors	544	708	1,019

19 OTHER SHORT-TERM INVESTMENTS

	2004 £m	2003 £m	2002 £m
Listed			
Government securities:			
UK	–	10	23
Overseas	13	18	29
Other deposits:			
Overseas	5	109	329
	18	137	381
Unlisted			

Certificates of deposit:			
UK	–	1	2
Term deposits:			
UK	84	47	47
Overseas	32	32	29
Other deposits:			
UK	247	24	4
Overseas	372	381	107
	735	485	189
Total other short-term investments	753	622	570

20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £m	2003 £m	2002 £m
Trade creditors	71	95	103
Accruals	337	446	519
Instinet counterparty creditors	197	389	545
Deferred income	23	29	57
Amounts owed to joint ventures and associates	45	29	86
Other creditors	27	33	37
Other taxation and social security	36	40	65
	736	1,061	1,412
Bank overdrafts	17	29	19
Bank loans	37	1	11
Other borrowings	127	335	411
Current UK corporation and overseas taxation	254	254	259
Proposed dividend	86	86	86
Total creditors falling due within one year	1,257	1,766	2,198
Current UK corporation and overseas taxation comprises:			
UK corporation tax	153	170	125
Overseas taxes	101	84	134
Total current UK corporation and overseas taxation	254	254	259

21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £m	2003 £m	2002 £m
Term notes	329	406	353
Accruals and deferred income	17	19	–
Other creditors	2	–	–
Amounts owed to joint ventures	–	–	1
Total creditors falling due after more than one year	348	425	354

The maturity profile of all bank overdrafts, bank loans and other borrowings is given in note 12.

22 CONCENTRATION OF CREDIT RISK

Reuters Group is exposed to concentrations of credit risk. Reuters Group invests in UK and US government securities and with high credit quality financial institutions. Reuters Group limits the amount of credit exposure to any one financial institution. The Group is also exposed to credit risk from its trade debtors, which are concentrated in the financial community. Reuters Group estimates that approximately 72% of its subscribers are financial institutions, 17% are corporations in other sectors of the business community, 4% are from the news media and 7% are government institutions and individuals worldwide (2003: 70%, 16%, 6% and 8% respectively, 2002: 68%, 19%, 6% and 7% respectively).

In addition, Instinet Group is exposed to the possibility of trades between its counterparties failing to settle. Due to the settlement mechanisms employed, the maximum exposure is generally limited to the market movement between the trade date and the settlement date. There are no material unprovided off-balance sheet exposures or positions in respect of trades undertaken on or prior to 31 December 2004.

23 PENSIONS AND SIMILAR OBLIGATIONS

Reuters Group has established various pension arrangements covering the majority of its employees. In all plans, except those which are internally funded, the assets are held separately from those of the Group and are independently administered.

Defined contribution plans

Reuters Group operates 34 defined contribution plans covering approximately 67% of its employees, of which the largest plans are: the Reuters Pension Fund, the Reuters Retirement Plan and the Reuters 401K Pension Plans. The percentage of employees covered and the company contribution to these plans were:

	% of employees	Company contribution % of basic salary
Reuters Pension Fund	10.3%	9.5%
Reuters Retirement Plan	16.1%	7.0%
Reuters 401K Pension Plans	24.8%	6.0%

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

23 PENSIONS AND SIMILAR OBLIGATIONS continued

Defined benefit plans

The Group also operates 33 defined benefit plans covering approximately 24% of employees. Individually, these plans are of a relatively minor nature. The 17 largest plans are valued under SSAP 24 by independently qualified actuaries using the projected unit credit method. The SSAP 24 provision is reviewed annually based on locally reported information, with the most recent review being at 1 January 2004. The smaller remaining plans are subject to regular valuations based on accepted actuarial practice and standards within the country in which the plan is established. The largest plans are directly invested and others are invested in insurance contracts. The remainder are internally funded in accordance with local practice, with provisions in the subsidiary undertakings to recognise the pension obligations.

Funding policy is set in accordance with local requirements.

The largest defined benefit plans are the UK Supplementary Pension Scheme (SPS) and those in Switzerland, Japan and Hong Kong. The charges in respect of these plans in 2004 were £2 million, £3 million, £2 million and £1 million respectively (2003: £2 million, £5 million, £3 million and £2 million respectively). Details of the SSAP 24 valuation results in respect of these plans are given below.

	UK SPS	Switzerland	Japan	Hong Kong
Percentage of employees covered	0.2%	4.2%	2.4%	1.0%
Assumptions:				
Investment return: pre-retirement	6.9%	4.5%	3.0%	7.0%
Investment return: post-retirement	5.4%	4.5%	3.0%	7.0%
Salary growth	3.9%	3.0%	3.0%	5.0%
Pension increases	2.4%	1.5%	2.0%	–
Market value of assets (£m)	37	69	15	14
Present value of past service liabilities (£m)	44	68	21	13

Post-retirement medical benefits

In the US, the Group closed its post-retirement medical plan with effect from 1 July 2002. A total of 190 employees, retirees and covered spouses retain entitlement to post-retirement medical benefits which remain unfunded. The principal assumptions used in the most recent actuarial valuation undertaken at 1 January 2004 were a discount rate of 8% and that the growth in healthcare costs would decrease from 9% per annum in 2004 to 6% by 2007 and remain at 5% thereafter.

Movement on pension provisions and similar obligations

	2004 £m	2003 £m	2002 £m
Opening balance	63	59	58
Profit and loss account (see note 2):			
Defined contribution plans	28	35	47
Defined benefit plans	9	18	18
Post-retirement medical benefits	(3)	(3)	–
	34	50	65
Utilised in the year	(48)	(46)	(64)
Closing balance	49	63	59

£40 million of the £49 million closing balance relates to schemes valued in accordance with SSAP 24 (2003: £52 million, 2002: £47 million).

FRS 17: Fourth year transitional disclosures
Composition of the schemes

Full actuarial valuations were carried out at various dates between 1 January 2003 and 31 December 2004 and updated to 31 December 2004, where necessary, by independent qualified actuaries in accordance with FRS 17. The major assumptions used by the actuary at 31 December 2004 were:

	UK plans			Overseas plans			Post-retirement medical benefits		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Discount rate	5.25%	5.50%	5.50%	3.63%	4.03%	4.10%	5.75%	6.25%	6.75%
Inflation assumption	2.75%	2.50%	2.25%	1.46%	1.44%	1.52%	2.00%	2.00%	2.00%
Rate of increase in salaries	4.00%	3.75%	4.00%	2.56%	2.55%	3.06%	–	–	–
Rate of increase in pensions in payment	2.75%	2.50%	2.25%	1.59%	1.42%	1.69%	–	–	–

The assets in the scheme and expected return on assets were:

Expected rate of return on assets

Equities	8.25%	8.25%	8.25%	7.12%	7.23%	7.60%	–	–	–
Bonds	4.50%	5.00%	5.00%	3.04%	3.76%	3.86%	–	–	–
Property	6.50%	6.67%	6.60%	–	–	–	–	–	–
Cash	4.00%	3.75%	3.50%	2.18%	2.83%	2.65%	–	–	–
Other	–	–	–	4.95%	4.77%	5.25%	–	–	–

Market value (£m)

Equities	35	23	19	61	60	50	–	–	–
Bonds	79	11	7	47	43	40	–	–	–
Property	9	1	1	–	–	–	–	–	–
Cash	–	2	6	4	6	3	–	–	–
Other	–	–	–	12	7	4	–	–	–

23 PENSIONS AND SIMILAR OBLIGATIONS continued

The following amounts at 31 December were measured in accordance with the requirements of FRS 17:

	UK plans			Overseas plans			Post-retirement medical benefits			Total		
	2004 £m	2003 £m	2002 £m	2004 £m	2003 £m	2002 £m	2004 £m	2003 £m	2002 £m	2004 £m	2003 £m	2002 £m
Total market value of assets	123	37	33	124	116	97	–	–	–	247	153	130
Present value of scheme liabilities	(159)	(57)	(63)	(158)	(140)	(132)	(3)	(5)	(6)	(320)	(202)	(201)
Deficit in the scheme	(36)	(20)	(30)	(34)	(24)	(35)	(3)	(5)	(6)	(73)	(49)	(71)
Related deferred tax asset	11	6	9	10	8	10	1	2	2	22	16	21
Net pension liability	(25)	(14)	(21)	(24)	(16)	(25)	(2)	(3)	(4)	(51)	(33)	(50)

The assets and liabilities reported under UK plans cover a small UK scheme with 35 active members together with unfunded early retirement and retirement benefit schemes, the liabilities of which are covered through book reserves. The figures do not include Reuters Pension Fund, as this is a defined contribution plan and its assets and liabilities are not required to be disclosed under FRS 17.

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December would be as follows:

	2004 £m	Restated 2003 £m	Restated 2002 £m
Net assets per consolidated balance sheet	612	407	659
Net pension liability already recognised in net assets	27	30	24
Net assets before impact of FRS 17	639	437	683
Net pension liability under FRS 17	(51)	(33)	(50)
Net assets after impact of FRS 17	588	404	633
Consolidated profit and loss account reserve	1,673	1,479	1,695
Net pension liability already recognised in profit and loss account reserve	27	30	24
Profit and loss account reserve before impact of FRS 17	1,700	1,509	1,719
Net pension liability under FRS 17	(51)	(33)	(50)
Profit and loss account reserve after impact of FRS 17	1,649	1,476	1,669

Under the requirements of FRS 17, the following amounts would have been recognised in the performance statements in the year to 31 December:

	2004				2003			
	UK plans £m	Overseas plans £m	Post- retirement medical benefits £m	Total £m	UK plans £m	Overseas plans £m	Post- retirement medical benefits £m	Total £m
Analysis of amount charged to operating profit								
Current service cost	2	10	–	12	1	11	–	12
Past service cost	(1)	–	–	(1)	–	1	–	1
Total operating charge	1	10	–	11	1	12	–	13
Analysis of amount credited to other finance income								
Expected return on pension scheme assets	4	6	–	10	2	6	–	8
Interest on pension scheme liabilities	(4)	(5)	–	(9)	(3)	(5)	–	(8)
Net return	–	1	–	1	(1)	1	–	–



NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

23 PENSIONS AND SIMILAR OBLIGATIONS continued

Amounts that would have been recognised in performance statements under FRS 17 (continued):

	2004				2003			
	UK plans £m	Overseas plans £m	Post- retirement medical benefits £m	Total £m	UK plans £m	Overseas plans £m	Post- retirement medical benefits £m	Total £m
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)								
Actual return less expected return on pension scheme assets	(1)	(1)	–	(2)	2	10	–	12
Experience (losses)/gains arising on the scheme liabilities	(11)	5	1	(5)	8	(2)	1	7
Changes in assumptions underlying the present value of the scheme liabilities	(8)	(14)	–	(22)	(1)	5	–	4
Actuarial (loss)/gain recognised in the STRGL	(20)	(10)	1	(29)	9	13	1	23
Movements in deficit during the year								
Deficit in the scheme at beginning of the year	(20)	(24)	(5)	(49)	(30)	(35)	(6)	(71)
Movement in the year:								
Current service cost	(2)	(10)	–	(12)	(1)	(11)	–	(12)
Employer contributions	5	10	1	16	3	10	–	13
Past service costs	1	–	–	1	–	(1)	–	(1)
Other finance income	–	1	–	1	(1)	1	–	–
Actuarial (loss)/gain recognised in the STRGL	(20)	(10)	1	(29)	9	13	1	23
Effect of currency translation	–	(1)	–	(1)	–	(1)	–	(1)
Deficit in scheme at end of year	(36)	(34)	(3)	(73)	(20)	(24)	(5)	(49)
History of experience gains and losses								
Difference between the expected and actual return on scheme assets								
Amount (£m)	(1)	(1)	–	(2)	2	10	–	12
Percentage of scheme assets at period end (%)	0.8%	0.8%	–	0.8%	5.4%	8.6%	–	7.8%
Experience gains and losses of scheme liabilities								
Amount (£m)	(11)	5	1	(5)	8	(2)	1	7
Percentage of the present value of the scheme liabilities at period end (%)	6.9%	3.2%	33.3%	1.6%	14.1%	1.4%	20.0%	3.4%
Total amount recognised in the STRGL								
Amount (£m)	(20)	(10)	1	(29)	9	13	1	23
Percentage of the present value of the scheme liabilities at period end (%)	12.6%	6.3%	33.3%	9.1%	15.8%	9.3%	20.0%	11.4%

	2002			
	UK plans £m	Overseas plans £m	Post- retirement medical benefits £m	Total £m
History of experience gains and losses (continued)				
Difference between the expected and actual return on scheme assets				
Amount (£m)	(9)	(17)	–	(26)
Percentage of scheme assets at period end (%)	27.8%	17.9%	–	20.4%
Experience gains and losses of scheme liabilities				

Amount (£m)	–	(9)	(3)	(12)
Percentage of the present value of the scheme liabilities at period end (%)	–	5.4%	46.3%	5.7%
<hr/>				
Total amount recognised in the STRGL				
Amount (£m)	(9)	(47)	(1)	(57)
Percentage of the present value of the scheme liabilities at period end (%)	14.8%	35.1%	27.9%	28.3%
<hr/>				

Two of the overseas plans are closed to new entrants, therefore under the projected unit credit method, the current service cost will increase as a percentage of payroll as members of the scheme approach retirement. The service cost for these schemes totals £2 million in 2004.

Contributions to funded plans in 2005 are expected to increase slightly on 2004 levels.

The Group is anticipating that a further overseas plan may be closed to new entrants in 2005. Existing members will retain accrued benefits in the scheme, but transfer future contributions into a new defined contribution scheme.

24 DEFERRED TAXATION (ASSETS)/LIABILITIES

	2004 £m	2003 £m	2002 £m
Opening balance	(240)	(233)	(154)
Exchange differences	2	13	–
Profit and loss account	33	(20)	(79)
Closing balance	(205)	(240)	(233)
The closing balance is analysed below:			
Timing differences:			
Fixed asset related	(45)	(41)	(39)
Tax losses	(45)	(52)	(55)
Other	(115)	(147)	(139)
	(205)	(240)	(233)

Reuters Group has provided for deferred tax liabilities in respect of dividends which are either accrued as receivable or where there is a binding agreement to remit the earnings of overseas subsidiary undertakings, joint ventures and associates. To the extent that earnings of its overseas subsidiary undertakings, joint ventures and associates are not expected to be remitted in the foreseeable future, no tax is expected to be payable.

	Assets £m	Valuation allowance £m	Liabilities £m	Net £m
Total timing differences at 31 December 2004				
Fixed asset related	(73)	16	12	(45)
Tax losses	(159)	114	–	(45)
Other	(132)	–	17	(115)
	(364)	130	29	(205)

The valuation allowance of £16 million in respect of fixed assets is made against assets in respect of which it is uncertain that suitable taxable income will be available when the timing differences reverse (2003: £16 million).

Similarly, the valuation allowance of £114 million in respect of losses is made where it is uncertain that suitable taxable income will arise. It has increased by £11 million in 2004.

Other timing differences include reorganisation costs, accrued employee costs (including pension costs) and other provisions.

Reuters does not recognise the potential future tax benefit of capital losses.

The net closing deferred tax balance has been analysed as:

	2004 £m	2003 £m	2002 £m
Deferred tax asset:			
Amounts falling due within one year	(132)	(143)	(113)
Amounts falling due after more than one year	(102)	(130)	(147)
	(234)	(273)	(260)
Deferred tax liability (included in provisions for liabilities and charges)	29	33	27

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

25 OTHER PROVISIONS

The movement in other provisions during 2004 was as follows:

	Rationalisation £m	Legal/ compliance £m	Other property £m	Other £m	Total £m
31 December 2003	165	1	2	7	175
Translation differences	(4)	–	–	–	(4)
Charged against profit	131	3	1	6	141
Utilised in the year	(131)	(1)	(1)	(1)	(134)
Released	(10)	–	–	(4)	(14)
Reclassification	–	1	–	(1)	–
31 December 2004	151	4	2	7	164

Included within the rationalisation provision at the end of 2004 are obligations related to the Reuters Fast Forward and Instinet Group restructuring programmes, which were first announced in 2003 and include headcount reduction and property rationalisation. Severance-related provisions are expected to be utilised during 2005 and property-related provisions will be utilised over the remaining lease periods.

The legal/compliance provision represents the expected cost of settling disputes arising from contractual arrangements with third-party suppliers and individuals.

Other property provisions reflect Reuters contractual liability at the balance sheet date to make good dilapidations under ongoing rental agreements outside the rationalisation programmes.

26 CAPITAL AND RESERVES

	Called-up share capital £m	Capital redemption reserve £m	Share premium account £m	Other reserve £m	Profit and loss account reserve £m	Share- holders' equity £m
31 December 2001 as previously stated	358	1	89	(1,717)	2,378	1,109
Prior period adjustment (see 'Accounting Basis' on page 72)	–	–	–	–	(153)	(153)
31 December 2001 as restated	358	1	89	(1,717)	2,225	956
Shares issued during the year	–	–	2	–	–	2
Unrealised gains on disposal of fixed asset investment	–	–	–	–	10	10
Unrealised gain on deemed partial disposal of subsidiary undertaking	–	–	–	–	1	1
Unrealised gain on deemed partial disposal of associates	–	–	–	–	12	12
Purchase of own shares	–	–	–	–	(65)	(65)
Amounts credited in respect of employee share schemes	–	–	–	–	1	1
Translation differences	–	–	–	–	(95)	(95)
Loss for the year as restated	–	–	–	–	(394)	(394)
31 December 2002 as restated	358	1	91	(1,717)	1,695	428
Amounts charged in respect of employee share schemes	–	–	–	–	(13)	(13)
Translation differences	–	–	–	–	(113)	(113)
Loss for the year as restated	–	–	–	–	(90)	(90)
31 December 2003 as restated	358	1	91	(1,717)	1,479	212
Shares issued during the year	1	–	5	–	–	6
Amounts credited in respect of employee share schemes	–	–	–	–	18	18
Translation differences	–	–	–	–	(25)	(25)
Taxation on translation differences	–	–	–	–	(10)	(10)
Retained profit for the year	–	–	–	–	211	211
31 December 2004	359	1	96	(1,717)	1,673	412

During 2004, £6 million (2003: £nil, 2002: £2 million) was received by Reuters Group PLC on the issue of shares in respect of the exercise of options awarded under various share option plans.

Cumulative translation losses at 31 December 2004 totalled £188 million (2003: £163 million, 2002: £50 million).

In 1998, a court-approved capital reorganisation took place. In exchange for every 15 ordinary shares in Reuters Holdings PLC, shareholders received pro-rata 13 ordinary shares in Reuters Group PLC plus £13.60 in cash. The difference between the proforma nominal value of shares in issue of Reuters Group PLC immediately prior to the reorganisation and the previously reported capital and reserves of Reuters Holdings PLC, excluding the profit and loss reserve, represents the merger difference which has since been reflected in the Other reserve.

As at 31 December 2004, the deduction from shareholders' equity in respect of treasury stock held by the ESOTs was £209 million (2003: £225 million, 2002: £235 million). The number of unvested shares held by the ESOTs as at 31 December 2004 was 32.0 million (2003: 34.4 million, 2002: 35.9 million). These shares had a market value of £121 million as at 31 December 2004 (2003: £81 million, 2002: £64 million).

27 SHARE CAPITAL

	2004 £m	2003 £m	2002 £m
Authorised			
One Founders Share of £1	–	–	–
2,100 million ordinary shares of 25 pence each	525	525	525
	525	525	525
Allotted, called-up and fully paid			
One Founders Share of £1	–	–	–
Ordinary shares of 25 pence each	359	358	358
	359	358	358
Number of ordinary shares of 25 pence each (millions)	1,435.5	1,432.5	1,432.5
Shares allotted during the year (millions)	2004	2003	2002
2,951,607 shares in Reuters Group PLC were issued for cash under employee share schemes at prices ranging from 90p to 397p per share	3.0	–	0.4

The rights attaching to the Founders Share are set out on page 83. The consideration for shares allotted during the period was £6 million (2003: £nil, 2002: £2 million).

28 EMPLOYEE SHARE OPTION PLANS

Reuters Group PLC operates share plans for the benefit of employees as explained in the Remuneration Report. Since the flotation of Reuters Holdings PLC in 1984, 107 million shares have been issued under these plans.

Activity relating to share options to subscribe for new shares for the three years ended 31 December 2004 was as follows:

	Save as-you-earn plans	Discretionary employee and executive plans	Plan 2000	Total	Weighted average exercise price £
Ordinary shares under option in millions (including ADSs):					
31 December 2001	10.4	7.7	20.0	38.1	6.55
Granted	7.2	31.8	–	39.0	4.04
Exercised	(0.2)	–	(0.2)	(0.4)	5.39
Expired, cancelled or lapsed	(6.7)	(0.9)	(3.1)	(10.7)	6.76
31 December 2002	10.7	38.6	16.7	66.0	5.10
Granted	28.0	25.8	–	53.8	1.53
Exercised	–	–	–	–	–
Expired, cancelled or lapsed	(8.5)	(8.0)	(2.6)	(19.1)	4.77
31 December 2003	30.2	56.4	14.1	100.7	3.24
Granted	4.6	10.3	–	14.9	2.87
Exercised	(0.5)	(2.5)	–	(3.0)	2.09
Expired, cancelled or lapsed	(4.4)	(5.0)	(2.7)	(12.1)	4.15
31 December 2004	29.9	59.2	11.4	100.5	3.11
Number of participants at 31 December 2004	7,939	7,238	5,690		

The following table summarises information relating to the number of shares under option and those which were exercisable at 31 December 2004:

	Total shares under option (million)	Weighted average period remaining to full vesting (months)	Weighted average exercise price	Options exercisable at 31 December 2004 (million)	Exercisable weighted average exercise price
Range of exercise prices					
Ordinary shares (£)					
0.25-2.00	32.8	17	£0.95	1.9	£1.33
2.01-5.00	38.0	18	£2.96	9.2	£2.63
5.01-7.00	18.9	8	£5.53	14.2	£5.56
7.01-9.00	6.3	6	£8.56	3.8	£8.51
9.01-11.00	0.5	4	£9.74	0.2	£9.75

ADsS (US\$)					
10.01-30.00	3.4	17	US\$10.66	–	–
30.01-50.00	0.6	26	US\$44.58	–	–
	100.5			29.3	

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

28 EMPLOYEE SHARE OPTION PLANS continued

In August 1990, January 1994 and August 2004, Reuters established ESOTs with the power to acquire shares in the open market. The trustee of these trusts is an offshore independent professional trustee. Shares purchased by the trusts, which are included within reserves on the consolidated balance sheet, will be used either to meet obligations under the company's restricted share plans described in the Remuneration Report on pages 32-40 or to satisfy the exercise of options granted, or to be granted, under other employee share option plans. Alternatively, new shares may be issued to satisfy these option obligations.

SAYE options are issued at a 20% discount to the market price at the time of granting the options. This does not give rise to a charge against profit as Reuters has taken advantage of the exemption allowed under UITF17 'Employee Share Schemes'.

29 RELATED PARTY TRANSACTIONS

During the year, Reuters Group carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. Details of these transactions are shown below:

	31 December 2003 £m	Services provided/ (received) £m	Amounts (collected)/ paid £m	31 December 2004 £m
Amounts receivable:				
Radianz	15	66	(73)	8
Factiva	4	23	(24)	3
Other	2	5	(7)	–
Amounts receivable	21	94	(104)	11
Amounts payable:				
Radianz	(22)	(277)	288	(11)
Factiva	–	(9)	8	(1)
Other	(6)	(32)	38	–
Amounts payable	(28)	(318)	334	(12)

The above amounts relate to the rendering or receiving of services between both parties, including agency arrangements and licence agreements. The other amounts principally relate to TSI and the Reuters building at 3 Times Square.

In addition to the above amounts, Reuters also has the following related party transactions:

1. Reuters had a promissory note payable to Factiva with a balance of £1 million outstanding at the start of 2004, which was repaid during the year.
2. Reuters also held an interest bearing loan of £5 million payable to Factiva at the start of 2004. This was repaid during the year and a further interest bearing loan of £11 million was taken out during the year.
3. As part of the transaction to acquire 49% of Radianz voting shares from Equant, Reuters assumed a liability of £22 million due to Radianz, which, prior to the sale, represented capital contributions due from Equant.

30 OPERATING LEASE COMMITMENTS

Minimum payments for non-cancellable operating leases for terms in excess of one year from 31 December are as follows:

	2004 £m	2003 £m	2002 £m
Year ended 31 December			
2003	–	–	91
2004	–	97	81
2005	94	83	68
2006	81	73	62
2007	74	63	57
2008	67	54	47
2009	61	45	40
Thereafter	379	282	289
Total minimum lease payments	756	697	735

At 31 December, the Group had commitments to make payments during the following year under non-cancellable operating leases as follows:

	Land and buildings			Other		
	2004 £m	2003 £m	2002 £m	2004 £m	2003 £m	2002 £m
Operating leases which expire:						
Within one year	8	7	11	1	2	2
In the second to fifth years	34	43	37	6	6	4
Over five years	54	48	50	–	–	–

31 ACQUISITIONS AND DISPOSALS

Acquisitions

On 11 March 2004, Reuters acquired the 50% shareholding in Icor Brokerage Ltd that it did not already own and, on 22 October 2004, acquired Fitzrovia International plc.

	Book value £m	Fair value adjustments £m	Total £m
Intangible fixed assets	–	1	1
Current assets	1	–	1
Current liabilities	(1)	–	(1)
Provisions for liabilities and charges	(1)	–	(1)
Net assets acquired	(1)	1	–
Cash consideration			(6)
Goodwill			6

The fair value adjustment relates to trademarks held by Fitzrovia International plc, which were not recognised on that company's balance sheet. The aggregate post-acquisition contribution of the acquired entities to turnover and operating profit was immaterial.

In addition, on 16 November 2004, Reuters Group acquired Equant's entire stake in Radianz for £60 million in cash, together with the release of future funding obligations of £22 million. The accounting treatment of Radianz is described in note 16.

Disposals

During 2004, Reuters disposed of a number of subsidiary undertakings, including: TowerGroup; Yankee; ORT; Reuters Investment (Bermuda) Ltd; Reuters Funds Investments Ltd; Reuters (UGS Property) Ltd; plus a number of small wholly-owned subsidiaries. These disposals resulted in a net profit of £10 million.

Losses on deemed partial disposal of Reuters interest in Instinet Group, arising on the exercise of Instinet share awards by Instinet Group employees during the year, amounted to £1 million.

During the year, Reuters made disposals of certain equity investments. In February 2004, Reuters reduced its stake in TSI from 48.4% to 8.8% (6.2% fully diluted) through a combination of public offering and a sale of shares back to TSI, for aggregate net proceeds of £310 million, realising a profit of £151 million. Reuters disposed of its 34.2% stake in GL TRADE, realising a gain of £48 million. Other disposals of joint ventures and associates realised net profits of £7 million.

In June 2004, Radianz disposed of its voice service business; the Reuters share of the gain arising on the disposal was £9 million.

In 2004, Reuters disposed of a number of small fixed asset investments, realising a net loss on disposal of £1 million. Instinet Group made disposals of certain fixed asset investments during 2004, including: the disposal of its stake in Euronext; a further part-disposal of its stake in Archipelago; the disposal of its stake in the London Stock Exchange; and other disposals of small fixed asset investments. The net gain arising from these disposals was £20 million.

Realised net gains, all of which were recorded in the 2004 profit and loss account, were:

	£m
On disposal of subsidiary undertakings	10
On deemed partial disposal of subsidiary undertaking	(1)
On disposal of joint ventures and associates	206
On disposal of business by joint venture	9
On disposal of other fixed asset investments	19
Recorded in the profit and loss account	243

Adjustments to goodwill

Adjustments of £6 million have been made to goodwill during the year (see note 14 on page 58). These relate to the re-negotiation of earn out agreements in relation to the acquisitions of AVT Technologies Limited and Capital Access International LLC, and also to the finalisation of fair value adjustments in respect of the acquisition of Multex. The fair value adjustments are based on an independent valuation performed by professionally-qualified valuers.

NOTES ON THE CONSOLIDATED BALANCE SHEET

continued

32 SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES

The principal subsidiary undertakings, joint ventures and associates at 31 December 2004, all of which are included in the consolidated financial statements, are shown below. Radianz became a subsidiary on 16 November 2004, when Reuters acquired the 49% voting stake owned by Equant. The accounting treatment of Radianz is described in note 16 on pages 59-60.

Subsidiary undertakings	Country of incorporation	Principal area of operation	Percentage of equity shares held
Bridge Trading Company	USA	USA	100
Instinet Group Incorporated	USA	USA	62
Radianz Limited ²	UK	Worldwide	100
Reuters AG	Germany	Germany	100
Reuters America LLC	USA	USA	100
Reuters Australia Pty Limited	Australia	Australia	100
Reuters BV	Netherlands	Netherlands	100
Reuters Canada Limited	Canada	Canada/USA	100
Reuters Europe SA	Switzerland	Spain/Portugal	100
Reuters Finance PLC ¹	UK	UK	100
Reuters Holdings Limited ¹	UK	UK	100
Reuters Hong Kong Limited	Cook Islands	Hong Kong	100
Reuters Italia SpA	Italy	Italy	100
Reuters Japan Kabushiki Kaisha	Japan	Japan	100
Reuters Limited	UK	Worldwide	100
Reuters Middle East Limited	Cook Islands	Middle East	100
Reuters Nederland BV ¹	Netherlands	Netherlands	100
Reuters SA	Switzerland	Worldwide	100
Reuters Services SA	France	France	100
Reuters Singapore Limited	Singapore	Singapore	100
Reuters Transaction Services Limited	UK	Worldwide	100

Notes:

1 Denotes investment companies. All others are operating companies.

2 Reuters owns 100% of the voting ordinary share capital of Radianz Limited. Radianz also has 'C' ordinary shares which are held by an Employee Share Ownership Trust.

Joint ventures and associates	Country of incorporation	Principal area of operation	Percentage of equity shares held
Factiva LLC	USA	Worldwide	50
3 Times Square Associates, LLC	USA	USA	50

The financial years for all the above undertakings end on 31 December.

Factiva is a 50% joint venture with Dow Jones, providing a broad range of global news and a deep historical archive of business information which client organisations can integrate into their business applications and intranet portals.

3 Times Square Associates is a venture with Rudins Times Square Associates LLC, formed to acquire, develop and operate the 3 Times Square property and building.

33 POST BALANCE SHEET EVENTS

On 28 February 2005, Reuters and Instinet Group entered into an agreement for Instinet Group to acquire Bridge Trading Company for US\$21.5 million in Instinet Group stock. The transaction is subject to NASD approval and other customary conditions, and is expected to close by the end of April 2005. The transaction will be accounted for as a transfer of net assets between Group companies at fair value, with consequent impact on the minority interest in Instinet Group. There is no tax on the transaction.

Since the year end, Reuters has reduced its holding in TSI to 7.4%, generating total net proceeds of £9 million. No tax is expected to be payable as a result of this transaction.

BALANCE SHEET OF REUTERS GROUP PLC

at 31 December

	Notes	2004 £m	2003 £m	2002 £m
Fixed asset investment	34a	5,246	5,246	2,672
Current assets				
Debtors falling due within one year:				
Prepayments and accrued income		1	–	–
Amounts owed by Group undertakings		716	–	1,861
Debtors falling due after more than one year:				
Prepayments and accrued income		2	–	–
Deferred taxation		3	–	–
Other debtors		48	–	–
Current liabilities				
Creditors: amounts falling due within one year:				
Amounts owed to Group undertakings		(3,736)	(2,499)	(1,227)
Other borrowings	34b	(127)	(139)	(411)
Proposed dividends	5	(86)	(86)	(86)
Net current (liabilities)/assets		(3,179)	(2,724)	137
Total assets less current liabilities		2,067	2,522	2,809
Other borrowings due after more than one year	34b	(25)	(228)	(352)
Net assets		2,042	2,294	2,457
Capital and reserves	34c			
Called-up share capital	27	359	358	358
Capital redemption reserve		1	1	1
Share premium account		96	91	91
Other reserve		706	699	699
Profit and loss account reserve		880	1,145	1,308
Capital employed		2,042	2,294	2,457
(Loss)/profit attributable to ordinary shareholders		(125)	(23)	27

This balance sheet was approved by the directors on 7 March 2005.



Tom Glocer
CEO



David Grigson
CFO

Advantage has been taken of the provisions of Section 230(3) of the Companies Act 1985 not to present a separate profit and loss account for Reuters Group PLC.

34 NOTES ON THE BALANCE SHEET OF REUTERS GROUP PLC

a. Fixed asset investment

The majority of the investment represents the shareholding of Reuters Group PLC in Reuters Holdings Limited.

b. Borrowings

Other borrowings falling due within one year relate to issues of £70 million of Euro Commercial Paper, which was repaid in January 2005, and £57 million of Euro Medium Term Notes, repayable at various dates between April 2005 and May 2005. Other borrowings falling due after more than one year relate to Euro Medium Term Notes issued, which are repayable at various dates between 2006 and 2008. These borrowings have a weighted average interest rate payable of 5%, after allowing for interest rate and cross currency swaps.

c. Capital and reserves

	Called-up share capital £m	Capital redemption reserve £m	Share premium account £m	Other reserve £m	Profit and loss account reserve £m	Total £m
31 December 2003	358	1	91	699	1,145	2,294

Amounts receivable in respect of unissued shares	–	–	–	7	–	7
Shares allotted during the year	1	–	5	–	–	6
Loss for the year	–	–	–	–	(265)	(265)
31 December 2004	359	1	96	706	880	2,042

Following the approval of a High Court Scheme of Arrangement, the majority of the issued share capital of Reuters Holdings PLC was acquired by Reuters Group PLC in February 1998.

The loss for the year mainly represents interest and revaluation on intercompany borrowings, and dividends paid to shareholders.

During the year, Reuters Group PLC granted an option to the Reuters Group PLC 2004 Employee Trust. The Trust will use the option in order to satisfy awards granted to Reuters employees outside of the UK under the Restricted Share Plan, once the scheme vests (see page 34). The movement in the Other reserve represents the option proceeds received.

ACCOUNTING POLICIES

Accounting basis

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

UITF38 'Accounting for ESOP Trusts' has been adopted for the first time in the 2004 financial statements. As a result, shares in Reuters Group PLC held by ESOTs have been reclassified from fixed asset investments and are now treated as a deduction from Shareholders' Equity. No new shares have been acquired by the ESOTs during the year. In addition, revisions to UITF17 'Employee Share Schemes' have changed the basis on which the costs of employee share schemes are charged to the profit and loss account.

The impact of both these changes in accounting treatment has resulted in prior period adjustments and previously reported figures have been restated accordingly. The reclassification of shares acquired by the Reuters ESOTs from fixed asset investments to Shareholders' Equity has reduced net assets by £74 million as at 31 December 2003, by £68 million as at 31 December 2002 and by £153 million as at 31 December 2001. The impact of adopting the amendment to UITF17 was to decrease profit before tax by £2 million for the year to 31 December 2004, and to increase profit before tax by £7 million for the year to 31 December 2003 and £149 million for the year to 31 December 2002. The prior period adjustment in the Statement of Total Recognised Gains and Losses of £151 million reflects the change in the basis on which charges to the profit and loss account are determined, and the reversal of previous impairment charges.

Following recently issued SEC guidance, Reuters Group has determined that transaction-related regulatory fees in Instinet Group are more appropriately reclassified and shown gross within revenue, rather than offset within brokerage, clearing and exchange fees. For the years ended 31 December 2004, 31 December 2003 and 31 December 2002, the regulatory fee expenses were £30 million, £38 million and £18 million respectively. This adjustment has no impact on profit before tax.

The acquisition of the remaining equity interests in Multex Investor Europe and Multex Investor Japan in 2003 was accounted for in accordance with FRS 2 'Accounting for Subsidiary Undertakings', which represented a departure from the requirements of the Companies Act 1985.

Basis of consolidation

The consolidated financial statements include:

- the financial statements of Reuters Group PLC and its subsidiaries to 31 December. The results of subsidiaries are included for the period during which they are a member of the Group;
- Reuters Group's share of the post-acquisition results of joint ventures and associates. Investments in joint ventures and associates are included at the Group's share of the net assets and unamortised goodwill at the dates of acquisition plus the Group's share of post-acquisition reserves.

Foreign currency translation

On consolidation, the profit and loss accounts and cash flow statements of entities with non-sterling functional currencies are translated into sterling at the average rates for the year. Exchange differences arising on consolidation as a result of the translation of the profit and loss account from the average rate to the year-end rate are accounted for through reserves.

Exchange differences that arise as a consequence of trading transactions and the translation of monetary assets and liabilities are taken to the profit and loss account. Foreign currency investments (including subsidiary undertakings, joint ventures and associates) are translated at the 31 December rate, and the associated exchange differences are taken directly to reserves. Exchange differences

The derivative contracts are treated from inception as an economic hedge of the underlying financial instrument, with matching accounting treatment and cash flows. The derivative contracts have high correlation with the specific underlying risks being hedged both at inception and throughout the hedge period.

Reuters uses financial instruments to hedge a portion of its interest exposure. Profits and losses on financial instruments are reported as part of profit for the period to which they relate.

Financial instruments hedging the risk on foreign currency assets are revalued at the balance sheet date and the resulting gain or loss offset against that arising from the translation of the underlying asset into sterling.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Revenue

Revenue represents the turnover, net of discounts, derived from services provided to subscribers and sales of products applicable to the year.

Revenue from sales of subscription-based real-time and historical information services are recognised rateably over the term of the subscription.

Revenue from contracts for the outright sale of systems-based product solutions, which include the sale of fully developed software licences, is recognised at the time of client acceptance. Short-term contracts are accounted for on a completed contract basis. Long-term contracts are accounted for in accordance with the contractual terms either on a percentage of completion basis or on a time and materials as incurred basis.

Revenue from associated maintenance and support services is recognised rateably over the term of the maintenance contract. Where contracts allow Reuters to recharge costs from communications suppliers and exchanges onwards to subscribers, this income is recognised as revenue.

Transaction products usage revenue is accounted for on a trade date basis.

Securities transactions

Securities transactions between Instinet Group counterparties which pass through Instinet Group and in its role as agency brokers, are recorded on a settlement date basis and, therefore, are only reflected in the balance sheet if there is a failure to settle. Revenues and related expenses arising from such securities transactions are accrued from the date of the transaction.

Development

Development expenditure is charged against profit in the year in which it is incurred.

Pensions and similar obligations

The expected costs of defined benefit pensions and post-retirement medical benefits are charged against profit so as to spread the cost over the service lives of the employees affected.

For defined contribution schemes the charge to the profit and loss account represents contributions payable by Reuters Group during the period.

Restricted share and Instinet long-term incentive plans

Costs of the restricted share and Instinet long-term incentive plans are charged to profit over the vesting period of the awards.

Tangible fixed assets

Depreciation is calculated on a straight line basis so as to write down the assets to their residual values over their expected useful lives:

attributable to foreign currency borrowings used to finance the Group's foreign currency investments are taken directly to reserves.

Treasury

Reuters Group receives revenue and incurs expenses in more than 70 currencies and uses financial instruments to hedge a portion of its net cash flow and operating profit.

Freehold land	Not depreciated
Freehold buildings	Normally 50 years
Leasehold property	Over the term of the lease
Computer systems equipment, office equipment and motor vehicles	2 to 5 years

Stock and contract work in progress

Stock and contract work in progress are valued at the lower of cost and net realisable value less progress payments received and receivable from clients. Progress payments in excess of the value of work carried out are included within creditors.

Cost is calculated on a first in first out basis by reference to the invoiced value of supplies and attributable costs of bringing stocks to their present location and condition.

Net realisable value is the estimated market value less selling costs.

Short-term investments

Government securities are stated in the balance sheet at the lower of cost plus accrued capital appreciation and market value. Income from these securities and any adjustment for changes in their market value during the year is reported as part of profit.

Movements in short-term investments are reported under the heading of management of liquid resources in the cash flow statement.

Debt issuance

Medium-term notes and commercial paper are stated at the amount of the net proceeds plus accrued interest or any discount or premium. Discounts or premia to the nominal value are amortised over the term of the issue. Costs associated with debt issuance are charged against profit over the life of the instrument.

Foreign currency swap agreements and forward contracts are used to convert non-sterling debt into sterling. Interest rate swaps, swaptions and forward rate agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to interest expense over the period of the contract.

Leasing

Operating lease rentals are charged against profit on a straight line basis over the period of the lease.

Operating lease incentives received are initially deferred and subsequently recognised over the minimum contract period.

Deferred taxation

Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a transaction or an event that has occurred at the balance sheet date gives rise to an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred taxation is recognised on an undiscounted basis.

However, deferred tax assets are only recognised to the extent that, based on all available evidence, it is more likely than not that suitable taxable profits will arise from which the reversal of the asset can be deducted.

Goodwill and other intangible assets

Goodwill is calculated as the difference between the fair value of the consideration paid and the fair value of the Group's share of the net assets at the date of acquisition. No value is attributed to internally generated intangible assets.

Purchased goodwill and other intangibles are capitalised and amortised through the profit and loss account on a straight line basis over their estimated useful economic lives, which are up to 20 years depending on the nature of the business acquired. Impairment reviews are carried out at the end of the first financial year after acquisition and where there is any indication of impairment.

Impairment is measured by comparing the carrying value of the asset with the higher of the net realisable value and the value in use. Any impairment charges are recognised in the profit and loss account for the period in which they arise.

Interest in shares of Reuters Group PLC

Shares held by the employee share ownership trusts are recorded in the balance sheet as a deduction from Shareholders' Equity at cost less shares unconditionally vested.

Fixed and current asset investments

Fixed asset investments are held at cost net of permanent diminution in values as assessed by the directors. Where it is Reuters Group's intention to dispose of an investment in the short-term, the investment is treated as a current asset, and valued at the lower of cost and net realisable value.

SUMMARY OF DIFFERENCES BETWEEN UK AND US

Generally Accepted Accounting Principles (GAAP)

01 ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP.

Prior period restatements

In November 2003, the Group entered into cross currency interest rate swaps to hedge fixed rate Euro debt into floating rate other currencies, principally US dollars. These instruments have a maturity date of November 2010. Under UK GAAP, the resulting US dollar foreign currency debt has been designated as a net investment hedge and, foreign currency translation gains and losses arising on the instrument are recorded directly to equity and included in the statement of total recognised gains and losses. During the year, as part of an overall review of complex derivative instruments, the Group concluded that under US GAAP the gains or losses on these instruments are required to be included in the income statement. The amounts for 2003 have been restated to remove the amount recorded directly to equity and include the amount within the income statement under US GAAP.

Under UK GAAP, computer software licences acquired and other direct internal costs incurred for internal use software are expensed as incurred. The Group has reviewed its accounting for such items during the year and has concluded that the same treatment should not be applied under US GAAP, which requires capitalisation of certain internal use software costs. The Group has restated prior years to properly reflect the capitalisation and related amortisation of these costs under US GAAP.

The impact on the net loss, basic and diluted earnings per ADS, and Shareholders' Equity in accordance with US GAAP of these restatements is as follows:

Net loss in accordance with US GAAP	2003 £m	2002 £m
Net loss in accordance with US GAAP as reported	(38)	(127)
Foreign exchange gain on derivative	18	–
Capitalisation of internal use software costs	4	22
Tax effect of adjustments	(7)	(6)
Net loss in accordance with US GAAP as restated	(23)	(111)
Basic/diluted earnings per ADS before accounting change	2003 pence	2002 pence
Basic/diluted earnings per ADS before accounting change as reported	(16.3)	(49.5)
Basic/diluted earnings per ADS before accounting change as restated	(9.5)	(42.8)
Basic/diluted earnings per ADS after accounting change		
Basic/diluted earnings per ADS after accounting change as reported	(16.3)	(54.3)
Basic/diluted earnings per ADS after accounting change, as restated	(9.5)	(47.6)
Shareholders' equity in accordance with US GAAP	2003 £m	2002 £m
Shareholders' equity in accordance with US GAAP as reported	245	528
Foreign exchange gain on derivative	–	–
Capitalisation of internal use software costs	31	32

previously reported UK GAAP figures for 2003 and 2002 have been restated accordingly. The summary of adjustments between UK and US GAAP has therefore been restated to reflect the restated UK GAAP figures, and also changes to the differences between UK and US GAAP, as explained below:

Shares held by employee share ownership trusts (ESOTs)

Under UK GAAP, shares in Reuters Group PLC held by ESOTs are now shown as a deduction from Shareholders' Equity until such time as share options vest un-conditionally in employees, whereas previously they were shown as a fixed asset investment. Under US GAAP, shares held by ESOTs are shown as a deduction from Shareholders' Equity until share options are exercised by employees.

Employee Share Schemes

Under UK GAAP, compensation charges relating to employee share schemes are based on the intrinsic value of the awards at the date of grant, calculated as the market value of the shares, less any option price to employees. Previously, awards satisfied by the issuance of shares from ESOTs, primarily certain stock-based long-term incentive plans, were expensed to the profit and loss account based on the original cost of shares held by the ESOTs less impairment. Under US GAAP, the compensation charge of long-term incentive plans is based on the value of the awards at the balance sheet date. Under both UK and US GAAP, the total compensation charge is adjusted to take account of performance conditions and the compensation charge is spread over the service period. The adjustment arising from this difference is classified within 'Employee costs'.

A description of the relevant accounting principles which differ materially is given below.

a. Revenue recognition

Under UK GAAP, revenue from contracts for the outright sale of systems-based product solutions, which include the sale of fully developed software licences, is recognised at the time of client acceptance. Under US GAAP, specific rules establish the criteria that must be met for revenue recognition. Under these rules, certain contracts with multiple elements require an amount of revenue to be deferred until all criteria are met for revenue to be recognised.

The UK to US GAAP adjustments in 2003 and 2002 arise from the release of revenue deferred in prior years. No revenue has been deferred for the purposes of US GAAP in 2004.

Under UK GAAP, soft dollar revenues are netted against operating costs in the profit and loss account. Under US GAAP, soft dollar revenues are presented gross in revenues and operating costs (2004: £148 million, 2003: £169 million, 2002: £192 million). There is no difference in net income as a result of the classification.

Under UK and US GAAP, interest income arising on cash provided as security on stock-borrowing transactions related to Instinet Group's clearing business is recorded in revenue. Under UK GAAP, interest on fixed income securities and on cash balances is recorded below operating activities in the profit and loss account. Under US GAAP, this interest is recorded in revenue.

b. Software

Under UK GAAP, costs of developing computer software products and websites are usually expensed in the year in which they are incurred. Under US GAAP, the costs of developing computer software products subsequent to establishing technical feasibility are capitalised. Additionally, certain costs relating to website development incurred subsequent to the planning stage are also capitalised. The amortisation of the capitalised costs is based on the estimated future revenues or remaining estimated useful economic lives of the products involved.

Under UK GAAP, computer software licences acquired for internal use are expensed the year they are incurred. Under US GAAP, certain costs relating to computer software licences acquired for internal use

Tax effect of adjustments	(10)	(9)
Shareholders' equity in accordance with US GAAP as restated	266	551

Revised accounting for ESOTs and employee share schemes in 2004

Under UK GAAP, the Group adopted Urgent Issues Task Force (UITF) Abstract 38 'Accounting for ESOP Trusts' for the 2004 financial statements as explained in the accounting policies note on pages 72-73. As a result, shares in Reuters Group PLC held by employee share ownership trusts (ESOTs) have been reclassified from fixed asset investments and are now treated as a deduction from Shareholders' Equity. In addition, revisions to UITF Abstract 17 'Employee Share Schemes' have changed the basis on which the costs of employee share schemes are charged to the profit and loss account. The impact of these changes in accounting treatment has resulted in prior period adjustments and

are capitalised. Computer software costs that are incurred in the preliminary project stage are expensed as incurred. Once the capitalisation criteria have been met, external direct costs of licences and services consumed and internal employee costs incurred in developing or obtaining internal use software are capitalised. Costs capitalised are amortised over the life of the licence.

c. Joint ventures and associates

Under UK GAAP, the difference between the book value and fair value of

the assets contributed to joint ventures and associates is recognised in the statement of total recognised gains and losses. Under US GAAP, the difference is released to the income statement over the anticipated life of the assets contributed to the venture.

Under UK GAAP, stock compensation expenses are not required to be recorded in respect of certain joint ventures' and associates' stock option plans. Under US GAAP, the Group's share of the results of joint ventures and associates has been adjusted to reflect stock compensation charges where appropriate.

Under US GAAP, the Group's share of the results of joint ventures and associates is adjusted to reflect the non-amortisation of goodwill since 1 January 2002.

d. Gains on deemed disposal of subsidiary undertakings and associates

Under UK GAAP, gains on the deemed partial disposal of subsidiary undertakings and associates involving non-qualifying consideration are recorded in the statement of total recognised gains and losses. Under US GAAP, these gains are recorded in the income statement and are calculated using asset and consideration values as determined under US GAAP.

e. Gain/loss on disposal of subsidiary undertakings

Under UK GAAP, goodwill is amortised on a systematic basis whereas under US GAAP goodwill is not amortised but tested for impairment on an annual basis. Under US GAAP, therefore, the carrying value of goodwill can be higher, and result in a different gain or loss on disposal of subsidiary undertakings. Under UK GAAP, the gain or loss on disposal of an overseas subsidiary is calculated with reference to assets translated to sterling at the foreign currency exchange rate prevailing at the date of disposal. Under US GAAP on disposal of a foreign currency subsidiary, the amount attributable to that entity and accumulated in the translation adjustment component of equity is removed from the separate component of equity and is reported as part of the gain or loss on sale of the subsidiary.

f. Gain on disposal of associates

Under UK GAAP, equity accounting for associates is based on results prepared in accordance with UK GAAP. Under US GAAP, the Group's share of results of associates is adjusted to be based on results prepared in accordance with US GAAP. Under UK GAAP, goodwill is amortised on a systematic basis, whereas under US GAAP, goodwill is not amortised but written down when an impairment arises. These differences result in the carrying value of associates being different under US GAAP, and therefore different gains and losses arise on disposal.

Under UK GAAP, the gain or loss on disposal of an investment in an associate held in a foreign currency is calculated with reference to the investment translated to sterling at the foreign currency exchange rate prevailing at the date of disposal. Under US GAAP on disposal of a foreign currency associate, the amount attributable to that entity and accumulated in the translation adjustment component of equity is removed from the separate component of equity and is reported as part of the gain or loss on sale of the associate.

g. Fixed asset investments

Under UK GAAP, fixed asset investments are held in the balance sheet at cost net of permanent diminution in value as assessed by the directors. Under US GAAP, fixed asset investments which are available for sale are stated at fair value with unrealised gains or losses included in the statement of other comprehensive income. Under US GAAP, traded fixed asset investments are stated at fair value with movements in fair value included in the income statement.

h. Goodwill and other intangibles

Under UK GAAP, goodwill and other intangible assets are amortised. Under US GAAP, prior to 1 July 2001, goodwill was amortised over its estimated useful life consistent with UK GAAP. In 2002, Reuters adopted the provisions of Financial Accounting Standard No. 142 (FAS 142) 'Goodwill and Other Intangible Assets' and as a result goodwill is no longer subject to amortisation under US GAAP. In addition, the non-amortisation of goodwill provisions of FAS 142 were effective immediately for goodwill arising on all acquisitions completed after 30 June 2001.

Under US GAAP, the Group performed a transitional impairment test effective 1 January 2002, as required by FAS 142. Goodwill impairment reviews are also conducted whenever the Group considers there to be an indication of impairment. Beginning in 2002, the Group also completes an annual goodwill impairment test, as required by FAS 142.

Under US GAAP, where the carrying value of a reporting unit exceeds its fair value then a goodwill impairment is recorded based on the excess of the carrying value of goodwill in a reporting unit over the implied fair value of that goodwill.

Under UK GAAP, the fair value of quoted securities issued to effect a business combination is measured at the market price at the date of closing the acquisition. Under US GAAP, the fair value of the securities issued is determined using the market price for a reasonable period before and after the date that the terms of the acquisition are agreed to and announced.

Under UK GAAP, contingent consideration arising as part of a business combination is included within goodwill and recorded as a liability at the time of the acquisition. Under US GAAP, contingent consideration is recorded as an adjustment to goodwill at the time it is realised. Under UK GAAP, liabilities recorded in respect of contingent consideration are discounted to net present value and included within goodwill at the time of the business combination. Under US GAAP, as the liability is recorded when the contingency is resolved, the value taken to goodwill can be different.

Both UK GAAP and US GAAP require purchase consideration in respect of subsidiaries acquired to be allocated on the basis of fair values to the various net assets of the acquiree at the date of acquisition. The excess of purchase consideration over the fair value assigned to the net assets is treated as goodwill. Both UK GAAP and US GAAP require separately identifiable intangible assets to be held separately from goodwill. Under US GAAP a different definition of intangible assets applies, therefore additional intangible assets may be identified under US GAAP.

i. Current asset investments

Under UK GAAP, current asset investments are held in the balance sheet at the lower of historical cost and net realisable value. Under US GAAP, available for sale current asset investments are stated at fair value, with unrealised gains and losses included in the statement of other comprehensive income.

j. Employee costs

Reuters grants options under save-as-you-earn (SAYE) plans at a 20% discount. Under UK GAAP, the share issues are recorded at their discounted price when the options are exercised. Under US GAAP, the discount is regarded as employee compensation and is accrued over the vesting period of the grants.

Under US GAAP, if a SAYE scheme is offered at a lower price than those offered previously and participants are able to transfer out of an existing scheme into the new scheme, variable accounting rules apply. Under these rules, a compensation charge is recorded on issue of the option for the intrinsic value of the award at the grant date, and any subsequent movement in the share value results in a re-measuring of the compensation charge, which continues until the option is exercised. Variable plan accounting applies to all options in existing higher priced schemes and also to options in lower priced schemes to the extent that those options have been transferred from a higher priced scheme.

Under UK GAAP, no compensation charge is recorded when the vesting terms of an option award are accelerated, or when an option plan is amended with substantially similar terms as the old plan. Under US GAAP, additional compensation cost is recognised when the vesting of an option has been accelerated and those options would otherwise have been forfeited unvested. Additional compensation cost is also recognised where a new measurement date is established following the amendment of a stock option plan where the exercise price is less than the market value of the underlying shares on the new measurement date.

Under UK GAAP, the liability for national insurance on stock options is accrued based on the intrinsic value of the options on the date of grant

Under UK GAAP, goodwill impairment reviews are carried out at the end of the first financial year after acquisition and where there is any indication of impairment. Impairment is measured by comparing the carrying value of the business with the higher of the net realisable value and the value in use.

and adjusted for subsequent changes in the market value of the underlying shares. Under US GAAP, this expense is recorded when the liability crystallises upon exercise of the stock options.

SUMMARY OF DIFFERENCES BETWEEN UK AND US

Generally Accepted Accounting Principles (GAAP) continued

Under UK GAAP, compensation charges relating to employee share schemes are based on the intrinsic value of the awards at the date of grant, calculated as the market value of the shares, less any option price to employees. Under US GAAP, the cost of long-term incentive plans is remeasured to the value of the awards at the balance sheet date until the final measurement date. Under both UK and US GAAP, the total compensation charge is adjusted to take account of the performance conditions and the compensation charge is spread over the service period.

Under UK GAAP, costs relating to employee share schemes dependent on company performance in a particular period are recognised in full in that year, regardless of when the options vest. Under US GAAP, the cost of such schemes is spread over the period from the date of grant to the vesting date of the options.

Under UK GAAP, the expected costs under defined benefit pension and post-retirement arrangements are spread over the service lives of employees entitled to those benefits. Variations from regular cost are spread on a straight line basis over the expected average remaining service lives of relevant current employees. Under US GAAP, the annual pension cost comprises the estimated cost of benefits accruing in the period adjusted for the amortisation of the surplus arising when FAS 87 'Employers' Accounting for Pensions' was adopted. The valuation assumptions used to determine the annual pension cost under US GAAP are the same as those used to determine the FRS 17 cost as set out in note 23 on pages 61-64.

Under UK GAAP, the transfer of employees that held unvested stock option awards to a joint venture does not give rise to a charge against profit. Under US GAAP, the stock awards are considered to be held by non-employees and accordingly a stock option expense relating to the fair value of the unvested awards is included in 'share of operating profit/loss in joint ventures' over the remaining vesting period.

k. Restructuring

In 2003, under US GAAP, Reuters adopted the provisions of Financial Accounting Standard No. 146 (FAS 146) 'Accounting for Costs Associated with Exit or Disposal Activities.' FAS 146 has been applied in respect of employee severance provisions and property cost provisions. US GAAP requires that employee severance costs that are not one-time termination charges be recognised when it is probable that these costs will be incurred and the amount is capable of being estimated. Under UK GAAP, Reuters recognises provisions for employee severance charges once the Group has a constructive obligation to incur the costs. A constructive obligation is considered to exist when a detailed formal plan is in place and a valid expectation has been raised in those affected.

Under UK GAAP, Reuters recognises provisions for costs associated with the exit of a property once the intention to exit has been announced. Under US GAAP, charges for costs associated with the exit of properties are recognised upon vacation of the property or legal termination of the lease contract.

l. Derivative instruments

Under US GAAP, the Group adopted FAS 133 'Accounting for Derivative Instruments and Hedging Activities' as amended by FAS 138, on 1 January 2001. FAS 133 introduced new rules in respect of hedge accounting and the recognition of movements in fair value through the income statement. As a result of the adoption, all derivatives and embedded derivative instruments, whether designated in hedging relationships or not, are carried on the balance sheet at fair value.

The company has not designated any of its derivative instruments as qualifying hedge instruments under FAS 133. Accordingly, changes in the fair value of derivative and embedded derivative instruments have been included within current earnings under US GAAP.

Under current UK GAAP, the company has continued to apply hedge accounting and is not required to record its derivative instruments or any of its embedded derivative instruments on the balance sheet at fair value.

as a net investment hedge and therefore foreign currency translation gains and losses arising on the instrument may in some cases be recorded in the income statement.

m. Consolidation of subsidiary undertakings

Under UK GAAP, investments in certain subsidiaries are treated as financing arrangements in substance and the net investment reflected within short-term investments. Under US GAAP, such subsidiaries are consolidated under the voting interest model and assets are reflected within the appropriate accounts. This has resulted in a reclassification between asset categories within current assets in the current year.

On 16 November 2004, Reuters purchased the 49% voting stake of Radianz that it did not already own from Equant, thereby increasing its shareholding from 51% to 100% of the voting shares. Under UK GAAP, the acquisition of the additional 49% stake is included within current asset investments at the lower of cost and net realisable value. As this 49% was acquired with a view to resale, and the stake has never been treated as a long-term investment, in the opinion of the directors it does not represent a continuing investment in Radianz and is therefore included within current asset investments. The original investment has continued to be accounted for using equity accounting.

Under US GAAP, Radianz is treated as a joint venture of Reuters Group for the period 1 January 2004 to 16 November 2004 and for the years ended 31 December 2003 and 2002. The acquisition of the additional 49% stake in Radianz has been accounted for as a step acquisition and Radianz has therefore been fully consolidated as a subsidiary from the date of acquisition. Under US GAAP such subsidiaries are consolidated under the voting interest model and the assets and liabilities are recorded within the appropriate balance sheet categories. This has resulted in a reclassification from current assets to other balance sheet line items in the current year. It is the opinion of the directors that Radianz meets the criteria set forth in FAS 144 as a disposal group and is therefore classified as an asset held for sale.

The summarised results of Radianz under UK GAAP for the period 1 January 2004 to 16 November 2004 and for the years ended 31 December 2003 and 2002 are set out below:

	1 Jan- 16 Nov 2004 £m	2003 £m	2002 £m
Summary income statement			
Revenue	257	327	331
Operating costs	(275)	(381)	(446)
Loss from continuing operations	(20)	(58)	(121)
Profit from discontinuing operations	2	5	5
Net loss	(5)	(59)	(165)

The summarised balance sheet information for Radianz under UK GAAP as at 31 December 2003 is set out below:

	2003 £m
Summary balance sheet	
Current assets	90
Non-current assets	84
Current liabilities	(68)
Non-current liabilities	(3)
Net assets	103

n. Sale and leaseback

Under UK GAAP, property sale and leaseback transactions where the leaseback meets the criteria of an operating lease are accounted for as an operating sale and leaseback, regardless of any sub-lease of the leased property.

Under US GAAP, where a portion of the leased property is sub-let and that sub-lease is not minor, the sale and leaseback is accounted for as financing. The asset is retained on the balance sheet at its written

Under UK GAAP, compound derivative instruments that have multiple underlyings can be designated as a net investment hedge and, where this treatment is applied, foreign currency translation gains and losses arising on the instrument are recorded in the statement of total recognised gains and losses. Under US GAAP, such instruments cannot in all cases be designated

down value and depreciated over the term of the lease. The proceeds received from the sale of the property are deferred on the balance sheet as a financing liability, whilst lease rental payments are offset against the liability as made, the difference between the initial proceeds received and the rental payments is recorded as financing cost over the term of the lease.

o. Interest

Under UK GAAP, liabilities recorded in respect of contingent consideration

NOTES ON SUMMARY OF DIFFERENCES BETWEEN UK AND US

Generally Accepted Accounting Principles (GAAP)

arising as part of business combinations are discounted to net present value. The discount is unwound through the profit and loss account over the life of the liability. Under US GAAP, no liability is recorded in respect of contingent consideration, therefore the interest charge is adjusted as appropriate.

p. Taxation

Under UK GAAP, FRS 19 'Deferred Taxation' requires deferred taxes to be accounted for on all timing differences. Deferred tax assets are to be recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Assets not recognised are shown by way of a valuation allowance in the balance sheet. Under US GAAP, deferred taxes are accounted for in accordance with FAS 109 'Accounting for Income Taxes' on all timing differences and a valuation allowance is established in respect of those deferred tax assets where it is more likely than not that some portion will remain unrealised.

This has not given rise to a significant adjustment in the UK to US GAAP reconciliation. The adjustment is primarily the result of the deferred tax impact of the other US GAAP adjustments made in the reconciliation.

q. Dividends

Under UK GAAP, dividends are provided for in the year in respect of which they are declared or proposed. Under US GAAP, dividends are recognised only in the period in which they are formally declared.

The effects of these differing accounting principles are shown in notes 36-39.

02 CASH FLOW STATEMENT

The cash flow statement set out on pages 50-55 has been prepared in conformity with UK FRS 1 (Revised) 'Cash Flow Statements'.

Set out below is a summary consolidated cash flow statement under US GAAP:

	Notes	2004 £m	Restated 2003 £m	Restated 2002 £m
Net cash inflow from operating activities	1	218	385	276
Net cash inflow/(outflow) from investing activities	2	230	(366)	(37)
Net cash outflow from financing activities	3	(370)	(142)	(450)
Net increase/(decrease) in cash and cash equivalents under US GAAP		78	(123)	(211)
Net increase/(decrease) in cash under UK GAAP		24	(97)	86

The principal differences between the UK GAAP cash flow statement and the cash flow statement presented in accordance with FAS 95 are as follows:

Notes:

- Under UK GAAP, net cash inflow from operating activities is determined before considering (a) net cash outflow from returns on investments and servicing of finance (2004: £10 million, 2003: £28 million, 2002: £64 million), (b) dividends received from associates (2004: £4 million, 2003: £3 million, 2002: £2 million) and (c) taxes paid (2004: £43 million, 2003: £33 million, 2002: £73 million). Under US GAAP, net cash inflow from operating activities is determined after these items. Net cash inflow from operating activities under US GAAP also includes £10 million cash inflow in respect of Radianz Limited.

equivalents. Only short-term investments with a maturity of over three months (2004: £107 million increase, 2003: £136 million increase, 2002: £144 million decrease) are classified as investing activity. Net cash inflow/(outflow) from investing activities under US GAAP also includes £2 million cash outflow in respect of Radianz Limited.

Under UK GAAP, cash outflow from the acquisition of computer software licences and other direct internal costs incurred for internal use software (2004: £4 million, 2003: £14 million, 2002: £29 million) have been included in net cash inflow from operating activities. Under US GAAP, this expenditure has been capitalised and therefore the cash outflow has been included in the net cash inflow/(outflow) from investing activities.

- Under UK GAAP, dividends paid (2004: £140 million, 2003: £140 million, 2002: £139 million) are classified separately while under US GAAP dividends paid are classified as financing activities. Under UK GAAP, the purchase of Reuters shares by the ESOTs (2004: £nil, 2003: £nil, 2002: £65 million) is classified as investing activities whereas under US GAAP this is classified as financing activities.

Under UK GAAP, cash flows relating to the movement in bank overdrafts (2004: £11 million inflow, 2003: £11 million outflow, 2002: £63 million outflow) are classified as movements in cash while under US GAAP they are classified as a financing activity.

2 Under UK GAAP, net cash flow from capital expenditure, financial investments and acquisitions and disposals (2004: £343 million inflow, 2003: £216 million outflow, 2002: £217 million outflow) are classified separately while under US GAAP they are classified as investing activities.

Under UK GAAP, movements in short-term investments (2004: £164 million increase, 2003: £99 million increase, 2002: £378 million decrease) are not included in cash but classified as management of liquid resources. Under US GAAP, short-term investments with maturity of three months or less at the date of acquisition (2004: £57 million increase, 2003: £37 million decrease, 2002: £234 million decrease) are included in cash and cash

NOTES ON SUMMARY OF DIFFERENCES BETWEEN UK AND US

Generally Accepted Accounting Principles (GAAP) continued

36 ADJUSTMENTS TO NET INCOME

	2004 £m	Restated 2003 £m	Restated 2002 £m
Profit/(loss) attributable to ordinary shareholders in accordance with UK GAAP	351	50	(255)
US GAAP adjustments:			
a. Revenue recognition	–	11	3
b. Software	(7)	4	21
c. Joint ventures and associates	(5)	24	18
d. Gains on deemed disposal of subsidiary undertakings and associates	–	–	104
e. Gain/loss on disposal of subsidiary undertakings	(24)	(2)	–
f. Gain on disposal of associates	(25)	(1)	–
g. Fixed asset investments	(19)	–	–
h. Goodwill and other intangibles	45	52	(34)
j. Employee costs	8	(32)	(3)
k. Restructuring	105	(150)	–
l. Derivative instruments	58	(15)	(28)
m. Consolidation of subsidiary undertaking	(8)	–	–
n. Sale and leaseback	(1)	–	–
o. Interest	1	1	–
p. Taxation	(52)	32	36
Minority interest in US GAAP adjustments	9	3	38
Income/(loss) before cumulative effect of change in accounting principle	436	(23)	(100)
Cumulative effect of change in accounting principle for FAS 142	–	–	(13)
Minority interest effect of change in accounting principle	–	–	2
Net income/(loss) attributable to ordinary shareholders in accordance with US GAAP	436	(23)	(111)
	2004 pence	Restated 2003 pence	Restated 2002 pence
Earnings and dividends			
Before accounting change			
Basic earnings per ADS in accordance with US GAAP	186.9	(9.5)	(42.8)
Diluted earnings per ADS in accordance with US GAAP	182.4	(9.5)	(42.8)
After accounting change			
Basic earnings per ADS in accordance with US GAAP	186.9	(9.5)	(47.6)
Diluted earnings per ADS in accordance with US GAAP	182.4	(9.5)	(47.6)
Dividend paid per ADS (including UK tax credit for 2002)	60.0	60.0	66.7
Weighted average number of shares used in basic EPS calculation (millions)	1,400	1,396	1,395
Dilutive shares	34	18	–
Used in diluted EPS calculation	1,434	1,414	1,395

37 ADJUSTMENTS TO SHAREHOLDERS' EQUITY

	2004 £m	Restated 2003 £m	Restated 2002 £m
Capital employed before minority interest in accordance with UK GAAP	412	212	428
US GAAP adjustments:			
a. Revenue recognition	–	–	(11)
b. Software	22	31	32
c. Joint ventures and associates	(23)	(13)	(37)
g. Fixed asset investments	5	20	19
h. Goodwill and other intangibles	145	120	71
h. Contingent consideration	–	24	29
i. Current asset investments	84	–	–
j. Employee costs	(38)	(44)	(39)
k. Restructuring	(45)	(150)	–
l. Derivative instruments	(8)	(47)	(14)
m. Consolidation of subsidiary undertakings	(10)	–	–
n. Sale and leaseback	(1)	–	–
p. Taxation	(12)	34	(3)
q. Dividends	86	86	86
Minority interest in US GAAP adjustments	2	(7)	(10)
Shareholders' equity in accordance with US GAAP	619	266	551

38 STATEMENT OF OTHER COMPREHENSIVE INCOME

	2004 £m	Restated 2003 £m	Restated 2002 £m
Net income/(loss) in accordance with US GAAP	436	(23)	(111)
Other comprehensive income/(loss), net of tax:			
Unrealised gains on certain fixed asset investments:			
arising during year	91	2	(21)
less amounts taken to net income, net of losses	(4)	–	3
Foreign currency translation differences	(52)	(136)	(94)
Adjustments to reflect minimum pension liability	(2)	4	(4)
Comprehensive income/(loss) in accordance with US GAAP	469	(153)	(227)

NOTES ON SUMMARY OF DIFFERENCES BETWEEN UK AND US

Generally Accepted Accounting Principles (GAAP) continued

39 SUMMARISED BALANCE SHEET (US GAAP BASIS)

	2004 £m	Restated 2003 £m	Restated 2002 £m
Assets			
Fixed tangible assets	479	823	1,012
Current assets	1,645	1,531	1,850
Other assets	121	151	159
Goodwill and other intangibles	480	526	521
Total assets	2,725	3,031	3,542
Liabilities and shareholders' equity			
Current liabilities	1,339	1,985	2,167
Long-term liabilities	528	568	552
Deferred taxes	41	10	30
Minority interest	198	202	242
Shareholders' equity before deductions	830	511	804
Shares held by employee share ownership trusts	(211)	(245)	(253)
Total shareholders' equity	619	266	551
Total liabilities and shareholders' equity	2,725	3,031	3,542

Radianz Limited, a subsidiary of Reuters Group, has been treated as a disposal group held for sale. At 31 December 2004, assets of £142 million and liabilities of £55 million were held within the balance sheet in respect of Radianz.

Goodwill and other intangibles are net of accumulated amortisation of £658 million (2003: £620 million, 2002: £578 million).

03 ADDITIONAL DISCLOSURES REQUIRED BY US GAAP**Derivative instruments**

The current year gain on derivative instruments is £58 million (2003: £15 million loss, 2002: £28 million loss). At 31 December 2004, the balance sheet includes a derivative asset of £45 million. The current year gain includes a gain of £21 million (2003: £26 million loss, 2002: £19 million loss) relating to currency forward contracts embedded within long-term customer contracts.

Recent Accounting Pronouncements**FAS 123(R)**

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004) 'Share Based Payment' (FAS 123 (R)). The statement is a revision of FASB Statement No. 123 'Accounting for Stock-Based Compensation' and supersedes APB Opinion No. 25 'Accounting for Stock Issued to Employees' and its related implementation guidance. FAS 123 (R) establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods and services, primarily employee services. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments to be based on the grant date fair value of the award, as determined using an option pricing model which considers the unique characteristics of those instruments. The cost should be recognised over the period during which an employee is required to provide service in exchange for the award. FAS 123 (R) is applicable to the Group from the start of the first interim and annual reporting period beginning after 15 June 2005. The implementation of FAS 123 (R) will require the Group to establish the grant date fair value for all its employee share option plans. The Group is in the process of assessing these fair values and the resulting impact on the Group's financial position.

FAS 153

In December 2004, the FASB issued FASB Statement No. 153 'Exchanges of Non-monetary Assets' (FAS 153) as an amendment to APB Opinion No. 29 'Accounting for Non-monetary Transactions'.

The guidance in APB Opinion No. 29 is based on the principle that exchanges on non-monetary assets should be measured based on the fair value of the assets exchanged, with certain exceptions to that principle. FAS 153 amends APB Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges on non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if future cash flows of the entity are expected to change significantly as a result of the exchange.

FAS 153 is effective for non-monetary exchanges occurring in fiscal periods beginning after 15 June 2005. This accounting pronouncement is not expected to have a significant impact on the Group's financial position or the results of its operations.

EITF 03-01

In June 2004, the Emerging Issues Task Force (EITF) issued EITF 03-01 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments'. The issue includes determining the meaning of other than temporary impairment and its application to debt and equity securities within the scope of FAS 115, Accounting for Certain Investments in Debt and Equity securities and equity securities that are not subject to the scope of FAS 115 and not accounted for under the equity method of accounting. The Group is in the process of assessing the impact of this pronouncement on the Group's financial position.

RADIANZ LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

Registered Number 3918478

R-1

RADIANZ LIMITED

REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

Company Registration Number: 3918478

Registered Office: Kingsfield House
66 Prescot Street
London
E1 8HG

Directors: David Grigson
Howard Edelstein
Mike Sayers

Company Secretary: Philip Emery

Bankers: Citibank NA
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Auditors: PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

RADIANZ LIMITED

REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

CONTENTS	PAGE
Directors' report	R-4 – R-6
Auditors' report	R-7
Group profit and loss account	R-8
Group statement of total recognised gains and losses	R-9
Group and Company balance sheets	R-10
Group cash flow statement	R-11
Notes to the financial statements	R-12 – R-33

RADIANZ LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The Directors present their report together with the audited financial statements for the year ended 31 December 2004.

Principal activities

Radianz delivers a global financial extranet ("RadianzNet") capable of providing secure and reliable networking services for transaction processing and content delivery to the financial services industry.

Radianz Limited (the "Company") and its subsidiaries (collectively "Radianz" or "Group") became a wholly owned subsidiary of Reuters Group PLC ("Reuters") on 16 November 2004.

Prior to 16 November 2004, Radianz was owned 51% by Reuters and 49% by Equant Finance BV ("Equant"). In forming Radianz, Reuters contributed substantially all of its global telecommunications network to Radianz and Equant contributed cash and a receivable for future services. Control over Radianz was joint with Reuters and Equant each having equal representation on the board of Directors.

On 30 June 2004, Radianz sold the Voice Services line of business. The revenue of this business to 30 June 2004 was \$10.2m (full year 2003: \$17.1m).

Group results and dividends

For the year ended 31 December 2004 Radianz Limited and its subsidiaries incurred a loss of \$13,665,000 (2003: \$96,303,000). The Directors do not recommend the payment of an ordinary dividend (2003: \$nil).

Dividends for the year on the cumulative preference shares of Radianz Americas Inc. of \$10,270,000 (2003: \$10,270,000) have been appropriated through the profit and loss account. However, as Radianz Americas Inc. does not have sufficient distributable reserves to pay such preference share dividends, these dividends have been credited back within profit and loss account reserves. As a result, the non-equity interests within shareholders' funds have increased accordingly.

The majority of the Group's transactions are in US dollars. Accordingly, the financial statements have been prepared in that currency.

The US dollar / sterling exchange rate at the balance sheet date was 1.93 (2003: 1.78) and the average rate for the year was 1.82 (2003: 1.63)

Directors interests

The Directors who held office at the date of this report and during the year are set out below:

David Grigson
Howard Edelstein
Mike Sayers
Jacques Dominique Kerrest (resigned 7 September 2004)
David Granger Ure (resigned 19 October 2004)
Howard Ford (resigned 15 November 2004)

RADIANZ LIMITED**DIRECTORS' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2004**

The Directors' interests in options to acquire shares of Radianz Limited were as follows:

Director	No of options at 1 January 2004	Options granted/ lapsed	No of options at 31 December 2004	Date of grant	Exercise price
H Edelstein	4,000,000	—	4,000,000	21 July 2003	\$1.85

None of the terms and conditions of the share options were varied during the year. No share options were exercised during the year. The performance criteria attached to options granted is that an initial public offering is achieved or 100% sale (change in control) occurs. All stock options have expiration dates of seven years from the date of grant.

The vesting period for the outstanding options is as follows:

Vesting Schedule for stock options issued in July 2003:

From 21 July 2003	21 July 2004	22 July 2004 to 21 July 2007
	1/4 vests (25%)	1/36 (2.7778%) of the balance vests on the 21 st of each subsequent month

Charitable contributions

The Group donated approximately \$30,000 (2003: \$5,000) to various charities. No political contributions were made (2003: \$nil).

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives is made at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of the Group as a whole. The Group encourages the involvement of employees in the Group's performance through an employee share scheme.

Creditor payment terms

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions and seeks to treat all its suppliers fairly.

The Group's trade creditors at 31 December 2004 were equivalent to 17 days' purchases during the year.

RADIANZ LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

Post balance sheet event

On 10 March 2005, Reuters and British Telecommunications plc ("BT") announced that an agreement for the sale of Radianz Limited by Reuters to BT had been signed. Radianz Limited will be sold for a consideration of \$175m in addition to any cash remaining on the balance sheet, net of working capital adjustments, at the date of completion. Completion is subject to final regulatory approvals and other customary completion conditions. Following completion of the acquisition, it is intended that BT will become Reuters supplier of network services under a network services agreement with a term of eight and a half years.

On 17 March 2005, the Radianz 2000 Stock Option Plan was amended. Pursuant to the Amended Plan, upon completion of the sale of Radianz Limited by Reuters to BT, all outstanding options (both vested and unvested) will be cancelled in consideration for a payment of \$0.10 per C Share under option.

Statement of directors' responsibilities

United Kingdom company law requires directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit, or loss, for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

/s/ Philip Emery
Company Secretary
31 March 2005

RADIANZ LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RADIANZ LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
31 March 2005

RADIANZ LIMITED**GROUP PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 \$'000	2004 \$'000	2003 \$'000	2003 \$'000
Turnover:					
Continuing operations		525,721		516,141	
Discontinued operations		10,207		17,098	
Total turnover	2		535,928		533,239
Net operating costs	3		(571,464)		(620,293)
Operating loss:					
Continuing operations		(39,756)		(95,169)	
Discontinued operations		4,220		8,115	
Total operating loss	2		(35,536)		(87,054)
Exceptional items					
– profit on the sale of the Voice Services line of business	4		30,835		—
Loss on ordinary activities before interest			(4,701)		(87,054)
Net interest receivable	5		2,700		2,585
Loss on ordinary activities before taxation			(2,001)		(84,469)
Taxation	8		(1,394)		(1,564)
Loss on ordinary activities after taxation			(3,395)		(86,033)
Preference dividends	10		(10,270)		(10,270)
Loss for the year	21		(13,665)		(96,303)

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

The notes on pages R-12 to R-33 form part of these financial statements

RADIANZ LIMITED**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 \$'000	2003 \$'000
Loss for the financial year		(13,665)	(96,303)
Exchange adjustments	21	4,927	6,664
Total recognised loss for the year		(8,738)	(89,639)

The notes on pages R-12 to R-33 form part of these financial statements.

RADIANTZ LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Note	Group 2004 \$'000	2003 \$'000	Company 2004 \$'000	2003 \$'000
Fixed assets					
Tangible fixed assets	11	114,485	149,769	—	—
Investments	12	—	—	192,589	192,441
		114,485	149,769	192,589	192,441
Current assets					
Debtors					
– due within one year	13	88,867	89,701	3	3
– due after one year	13	—	41,793	—	—
Deferred taxation	19	734	—	—	—
Restricted cash	14	19,031	19,259	5,703	5,259
Cash at bank and in hand		67,538	9,095	—	—
		176,170	159,848	5,706	5,262
Creditors: amounts falling due within one year	15	(99,737)	(120,854)	(15,444)	(13,986)
Net current assets/(liabilities)		76,433	38,994	(9,738)	(8,724)
Total assets less current liabilities		190,918	188,763	182,851	183,717
Creditors: amounts falling due after one year	16	(2,489)	(3,613)	—	—
Provisions for liabilities and charges					
Pensions and similar obligations	18	(2,157)	(1,247)	—	—
Deferred taxation	19	(1,023)	(186)	—	—
		(3,180)	(1,433)	—	—
Net assets		185,249	183,717	182,851	183,717
Capital and reserves					
Called up share capital	20	18	18	2	2
Share premium account	21	878,425	878,425	725,761	725,761
Exchange difference reserve	21	11,138	6,211	—	—
Profit and loss account	21	(704,332)	(700,937)	(542,912)	(542,046)
Total shareholders' funds	22	185,249	183,717	182,851	183,717
Analysis of shareholders' funds					
Equity	23	(13,646)	(4,908)	182,851	183,717
Non-equity	24	198,895	188,625	—	—
		185,249	183,717	182,851	183,717

The notes on pages R-12 to R-33 form part of these financial statements. The financial statements on pages R-8 to R-33 were approved by the Board of Directors on 31 March 2005 and were signed on its behalf by:

/s/ Howard Edelstein
Director

/s/ David Grigson
Chairman

RADIANZ LIMITED**GROUP CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 \$'000	2003 \$'000
Net cash inflow from operating activities	25	49,108	6,228
Returns on investment and servicing of finance			
Interest received from bank deposits		802	607
Interest paid		(217)	(170)
Interest paid on finance leases		(344)	(191)
Net cash inflow from returns on investment and servicing of finance		241	246
Taxation			
		(1,257)	(2,092)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(25,355)	(38,624)
Sale of tangible fixed assets		35,069	15
Net cash inflow/(outflow) from capital expenditure and financial investment		9,714	(38,609)
Financing			
Decrease in finance leasing		(1,855)	(953)
Net cash outflow from financing		(1,855)	(953)
Increase / (decrease) in cash	26	55,951	(35,180)

The notes on pages R-12 to R-33 form part of these financial statements.

RADIANZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

These financial statements are prepared under the historical cost convention.

The accounting policies set out below have been applied on a consistent basis and are in accordance with the Companies Act 1985 and applicable UK accounting standards.

Changes in accounting policies

The Group has adopted UITF 17 (revised 2003) "Employee Share Schemes" and UITF 38 "Accounting for ESOP trusts" in these financial statements. The adoption of these UITFs represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustment are given in note 21.

Basis of consolidation

The Group profit and loss account, balance sheet and cash flow statement include the financial statements of the Company and its subsidiary undertakings up to 31 December 2004. Intra-group transactions and profits are eliminated fully on consolidation.

Acquisitions made by the Group are included under the acquisition method of accounting and the Group financial statements include the results of such acquisitions from the relevant date of acquisition.

The results of subsidiaries acquired or disposed of are included in the consolidated profit and loss account from, or up to, the date control passes.

Turnover

Radianz recognises turnover when realised or realisable and earned. The Group considers turnover realised or realisable and earned when it has persuasive evidence of an arrangement, the services have been provided, the sales price is fixed or determinable and collectibility is reasonably assured. Turnover is reduced for credit notes and rebates to be paid to customers. In addition to the aforementioned general policy, the following are the specific turnover recognition policies for the Group's significant categories of turnover.

Related-Party Turnover

Managed Network Services

Radianz entered into a Network Service Agreement ("NSA") with Reuters and its affiliates that requires Radianz to provide telecommunications, managed network and other services to Reuters. The terms of the NSA allow Radianz to recover substantially all direct costs incurred in connection with services provided to Reuters. The Group is deemed to be acting as a principal under the terms of the NSA and therefore as a principal recognises the billing and recovery of such costs as turnover.

Radianz Network ("RxN") Services

Under the terms of the NSA agreement with Reuters, Radianz charges Reuters for services provided via RadianzNet based on a fixed and determinable price per service type.

Consulting Services

Radianz provides certain services for specific projects for Reuters. These services are consulting in nature and are subject to acceptance by Reuters. Radianz recognizes associated turnover only when acceptance has been received from Reuters for the services rendered. As at 31 December 2004, no turnover and costs were deferred. As at 31 December 2003, \$1.2 million of turnover and \$1.2 million of cost had been deferred.

RADIANZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Remote Dial-up Services

Remote dial-up services are provided to Reuters directly by Equant. Radianz acts as an agent in such transactions billing Reuters on behalf of Equant. As the Group does not retain the significant risks and rewards of delivering these services, turnover for these transactions is recognised on a net basis thereby recognising only the commission as turnover. The value of the services provided to Reuters for the year ended 31 December 2004 was approximately \$1.3 million (2003: \$1.4 million) on a gross basis.

External Customer Turnover

Radianz Network (“RxN”) Services

Turnover from Radianz’s telecommunication and managed network services to customers other than Reuters is recognised as the services are provided over the contractual period. Fees are charged in accordance with the customer contract, and, accordingly, may represent both a connection fee and recurring access and usage fees. During 2004, the Group changed its method of accounting for connection fees and installation costs. These are now accounted for when installation is complete. The effect of this change is not material and reduced the loss in the year by \$179,000. Turnover from access and usage fees are recognised as the services are provided over the anticipated customer relationship period, which is generally determined by the life of the contract.

If customers are billed in advance under the terms of the arrangement with the Group turnover is deferred until the services are delivered. As at 31 December 2004, approximately \$0.3 million (2003: \$3.4 million) of turnover relating to advance customer billings was deferred.

Voice Services

Up to the point of disposal, turnover net of discounts, for the provision of point-to point voice and data circuits is earned as these services are delivered.

Hosting Services

Turnover from the Group’s hosting services is recognised as the services are provided over the contractual period. Fees are charged in accordance with the customer contract and, accordingly, may represent both a connection fee and a recurring monthly hosting fee. Connection fees are recognised when the customer accepts the installation is complete.

Provisions for losses on contracts are recognised in the period in which the loss is identified for the total contract.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the balance sheet date. Transactions in currencies other than US dollars are converted at the rates of exchange prevailing at the dates the transactions were made. Gains or losses on exchange are recognised in the profit and loss account as they arise.

Profits and losses of subsidiaries that have currencies of operation other than the US dollar are translated into US dollars at average rates of exchange. Share capital issued by the Company, which is Sterling denominated, is maintained at the historical rate at the date on which the shares were issued.

Differences on exchange arising from the retranslation of the opening net investment in subsidiaries that have currencies of operation other than the US dollar and from the translation of the results of those companies at an average rate of exchange, are taken to reserves and are reported in the consolidated statement of total recognised gains and losses.

To the extent that they are used to finance or provide a hedge against group equity investments in subsidiaries that have currencies of operation other than the US dollar exchange differences of foreign currency borrowings are taken directly to reserves and are reported in the consolidated statement of total recognised gains and losses.

RADIANZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Leases

Leasing arrangements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitment is shown in creditors as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profits in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the shorter of the lease term and the expected useful economic lives of the equivalent owned assets.

Costs in respect of operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Income on sublet leases is offset against the cost of the lease within the profit and loss account.

Pension costs

The Group currently operates its own pension plans in three territories. The largest such plan is a voluntary 401 (k) savings plan for the Group's employees in the United States ("US"). The Group matches a percentage of each US employee's contributions. The Group's employees in certain other territories participate in pension plans maintained by Reuters and Equant. The cost in respect of defined contribution plans is charged to the profit and loss account as the amount accrues.

The pension costs and disclosures in these financial statements comply with Financial Reporting Standard No. 17 "Retirements Benefits". In accordance with Financial Reporting Standard No. 17 contributions paid by the Group to Reuters and Equant defined benefit schemes are disclosed as if the pension scheme were a defined contribution pension scheme, as the Group is unable to identify its share of the underlying assets and liabilities of the pension schemes and also because the Group believes that its liability in respect of these plans is limited to paying regular pension contributions.

Development expenditure

Development expenditure is charged to the profit and loss account in the year in which it is incurred.

Tangible fixed assets

Assets contributed by Reuters on 30 June 2000 were capitalised at their fair values at the date of transfer. All other tangible fixed assets are stated at cost. Depreciation is calculated on a straight-line basis so as to write down assets to their residual value over their expected useful lives. Office, computer systems and network equipment are depreciated over 3 – 5 years. Leasehold buildings and improvements are depreciated over the term of the lease. Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. An impairment loss is recognised in the profit and loss account to the extent that the carrying amount of an asset exceeds its recoverable amount, being the higher of its value in use and net realisable value.

Deferred taxation

In accordance with Financial Reporting Standard No. 19, full provision is made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes.

Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Share schemes**

The Group's Employee Share Ownership Trust ("ESOT") is a separately administered trust, which is funded by loans from the Group. The shares held by the ESOT are stated at cost and accounted for as a deduction from shareholders funds in accordance with UITF 38.

2. Segmental analysis**Turnover**

Radianz has network operations in many countries throughout the world. For the purpose of segmental disclosure, turnover by origin is defined as the location where invoices are issued, while turnover by destination is defined as the location of the customer.

Turnover by origin

	Total turnover \$'000	2004 Inter-segment turnover \$'000	External turnover \$'000	Total turnover \$'000	2003 Inter-segment turnover \$'000	External turnover \$'000
Continuing operations						
United Kingdom	397,619	(14,946)	382,673	371,242	(1,277)	369,965
United States	201,299	(111,787)	89,512	211,062	(115,076)	95,986
Rest of the world	131,344	(77,808)	53,536	123,861	(73,671)	50,190
	730,262	(204,541)	525,721	706,165	(190,024)	516,141
Discontinued operations						
United Kingdom	9,200	—	9,200	15,896	—	15,896
United States	1,007	—	1,007	1,202	—	1,202
Rest of the world	—	—	—	—	—	—
	10,207	—	10,207	17,098	—	17,098
	740,469	(204,541)	535,928	723,263	(190,024)	533,239

Turnover by destination

	Total turnover \$'000	2004 Inter-segment turnover \$'000	External turnover \$'000	Total turnover \$'000	2003 Inter-segment turnover \$'000	External turnover \$'000
Continuing operations						
United Kingdom	552,187	(189,595)	362,592	535,872	(188,747)	347,125
United States	105,854	(14,946)	90,908	111,332	(748)	110,584
Rest of the world	72,221	—	72,221	58,961	(529)	58,432
	730,262	(204,541)	525,721	706,165	(190,024)	516,141
Discontinued operations						
United Kingdom	8,607	—	8,607	14,896	—	14,896
United States	1,007	—	1,007	1,202	—	1,202
Rest of the world	593	—	593	1,000	—	1,000
	10,207	—	10,207	17,098	—	17,098
	740,469	(204,541)	535,928	723,263	(190,024)	533,239

RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Analysis of operating loss and net assets

	2004 (Loss)/gain on ordinary activities before tax \$'000	2004 Net assets/ (liabilities) \$'000	2003 (Loss)/gain on ordinary activities before tax \$'000	2003 Net assets/ (liabilities) \$'000
Operating (loss)/gain				
Continuing operations				
United Kingdom	(41,111)	28,368	(78,774)	85,072
United States	(2,636)	68,155	(22,348)	68,472
Rest of the world	3,991	2,157	5,953	(653)
	(39,756)	98,680	(95,169)	152,891
Operating (loss)/gain				
Discontinued operations				
United Kingdom	4,666	—	8,787	2,044
United States	403	—	584	428
Rest of the world	(849)	—	(1,256)	—
	4,220	—	8,115	2,472
Total operating loss	(35,536)	—	(87,054)	—
Exceptional gain				
Discontinued operations				
United Kingdom	28,219	—	—	—
United States	2,616	—	—	—
Rest of the world	—	—	—	—
	30,835	—	—	—
Net interest receivable/interest bearing assets	2,700	86,569	2,585	28,354
	(2,001)	185,249	(84,469)	183,717

Interest bearing assets consist of restricted cash and cash balances, which are held mainly within UK entities but have been shown separately above as they are used to fund Group operations.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****3. Net operating costs**

	2004 \$'000	2003 \$'000
Staff costs (note 6)	135,654	113,901
Depreciation of tangible assets (note 11)	58,543	67,798
Impairment	—	15,345
Depreciation from related parties	7,018	7,458
Loss on disposal of fixed assets	130	146
Operating lease rentals – land & buildings (note 28)	11,370	11,324
Foreign currency translation – net loss/(gain)	3,440	(745)
Auditors' remuneration		
– Group audit fees	853	1,352
– Other services	395	940
Other operating costs	354,061	402,774
Total net operating costs	571,464	620,293

Cost by function:

Operations and communications costs	483,001	546,767
Sales and marketing expense	30,692	17,761
Administration expense	57,771	55,765
Total net operating costs	571,464	620,293

Costs in respect of auditors' remuneration and operating leases for the Company were borne by other Group companies.

Costs in respect of a provision for diminution in the value of investments of \$nil (2003: \$78.4 million) for the Company has been charged to the Company's profit and loss account.

4. Exceptional items

The profit on disposal arose on the sale of the Voice Services line of business, which was completed on 30 June 2004 and represents the difference between the book value of the assets disposed and the net sales proceeds. There is no tax charge as the chargeable gain is fully covered by tax losses of the period.

5. Net interest receivable

	2004 \$'000	2003 \$'000
Interest receivable from bank deposits	815	602
Discount on receivable from Equant	2,399	2,367
Total interest receivable	3,214	2,969
Interest payable on finance leases	(315)	(201)
Interest payable on bank loans and overdrafts	(199)	(183)
Total interest payable	(514)	(384)
Interest receivable and similar income – net	2,700	2,585

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

6. Employees

The average number of employees during the year was as follows:

	2004	2003
Operations and engineering	606	609
Sales and marketing	96	76
Administration	179	237
Total	881	922

Staff costs incurred during the year in respect of these employees were:

	2004 \$'000	2003 \$'000
Wages and salaries	118,295	99,137
Social security costs	10,926	9,303
Other pension costs (note 27)	6,433	5,461
Total	135,654	113,901

7. Directors' emoluments

Directors' emoluments during the year were:

	2004 \$'000	2003 \$'000
Directors:		
Aggregate emoluments	1,092	675
Pension benefits under money purchase scheme	16	8
Highest paid director:		
Aggregate emoluments	1,092	385
Pension benefits under money purchase scheme	16	8

Retirement benefits are accruing to one director under a money purchase pension scheme (2003: one director).

During the year ended 31 December 2004, one former director retained options over 1,567,830 shares granted under the Company stock option plan on 22 April 2002, 260,652 options granted on 22 July 2002 and 130,326 options granted on 21 October 2002.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****8. Taxation**

	2004 \$'000	2003 \$'000
UK corporation tax at 30%		
Current tax on income for the year	—	—
Adjustments in respect of prior year	—	997
	—	997
US corporate income tax		
Current tax on income for the year	250	81
Adjustments in respect of prior year	107	(69)
	357	12
Other overseas corporate income tax		
Current tax on income for the year	321	859
Adjustments in respect of prior year	559	157
	880	1,016
Current tax charge for the year	1,237	2,025
Deferred taxation (note 19)	157	(461)
Total corporation tax charge	1,394	1,564
Factors affecting tax charge for the year		
Loss on ordinary activities before tax	(2,001)	(84,469)
Tax credit thereon at 30%	(600)	(25,341)
Effects of:		
Adjustments for foreign tax – taxable at different rates	127	(2,898)
Timing differences	5,526	14,933
Permanent differences	(2,113)	610
Tax losses carried forward	—	13,973
Utilisation of tax losses	(2,674)	(504)
Adjustments to tax charge in respect of previous periods	688	1,134
Minimum taxes	318	118
Other	(35)	—
Current tax charge for the year	1,237	2,025

The adjustments in respect of prior year adjustments in 2003 relate to tax losses arising in the year ended 31 December 2000, which were surrendered to a parent company for payment of \$895,000. Subsequently, the recipient was unable to utilise these losses and therefore a payment of \$997,000 was returned. The difference in payments results from the move in foreign exchange rates.

The Group has recognised deferred tax assets of \$734,000 (2003 \$nil) in note 19. Also, the Group has unrecognised deferred tax assets of approximately \$71,411,000 (2003: \$76,829,000), which have not been recognised since it is not certain that these assets will crystallise in the foreseeable future. These relate to the following:

	2004 \$000	2003 \$000
Accelerated capital allowances	22,252	21,394
Tax losses carried forward	45,668	51,247
Other	3,491	4,188
Unprovided deferred tax	71,411	76,829



RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Loss of holding company

Of the loss for the year, a loss of \$866,000 (2003: \$79,369,000) is dealt with in the profit and loss account of Radianz Limited. The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company alone.

10. Dividends

	2004 \$'000	2003 \$'000
6.5% cumulative preference shares	10,270	10,270

The preference shares were issued by Radianz Americas Inc., a wholly owned US subsidiary of Radianz Limited, and are held by Reuters, the ultimate shareholders of Radianz Limited (note 20). Radianz Americas Inc. has appropriated through its profit and loss account preference share dividends for the year of \$10.27 million on these 6.5% cumulative preference shares. However, in accordance with the provisions of Financial Reporting Standard No. 4, as Radianz Americas Inc. does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within profit and loss account reserves (note 21).

11. Tangible fixed assets

Group	Leasehold property \$'000	Leasehold improvements \$'000	Network equipment \$'000	Computer and office equipment \$'000	Total \$'000
Cost					
At 1 January 2004	33,559	6,244	319,959	12,017	371,779
Translation differences	—	105	7,725	190	8,020
Additions	—	626	23,756	1,299	25,681
Reclassification	38	637	(193)	(482)	—
Disposals	—	—	(33,727)	(19)	(33,746)
At 31 December 2004	33,597	7,612	317,520	13,005	371,734
Depreciation					
At 1 January 2004	20,279	1,780	192,848	7,103	222,010
Translation differences	—	60	5,856	138	6,054
Charged in the year	2,147	959	52,949	2,488	58,543
Reclassification	(7)	7	57	(57)	—
Disposals	—	—	(29,339)	(19)	(29,358)
At 31 December 2004	22,419	2,806	222,371	9,653	257,249
Net book value					
At 31 December 2004	11,178	4,806	95,149	3,352	114,485
At 31 December 2003	13,280	4,464	127,111	4,914	149,769

RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Analysis of assets held under finance leases:

Group	Leasehold property	Leasehold improvements	Network equipment	Computer and office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
At 1 January 2004	—	—	6,335	—	6,335
Additions	—	—	293	—	293
At 31 December 2004	—	—	6,628	—	6,628
Depreciation					
At 1 January 2004	—	—	1,070	—	1,070
Charge in the year	—	—	2,004	—	2,004
At 31 December 2004	—	—	3,074	—	3,074
Net book value					
At 31 December 2004	—	—	3,554	—	3,554
At 31 December 2003	—	—	5,265	—	5,265

The Company does not own any tangible fixed assets.

12. Investments**Shares in subsidiary undertakings**

	Group	Company
	\$'000	\$'000
Cost		
At 1 January 2004	—	494,194
Additions	—	148
Disposals	—	—
At 31 December 2004	—	494,342
Provision for diminution in value of investment		
At 1 January 2004	—	301,753
Charged in the year	—	—
At 31 December 2004	—	301,753
Net book value		
At 31 December 2004	—	192,589
At 31 December 2003	—	192,441

The additions represent further capital contributions to existing subsidiary companies

In 2004 no provision was made against the cost of shares in subsidiary undertakings (2003: \$78.4 million). A list of subsidiary undertakings is given in note 33.

RADIANT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Restated Group \$'000	Company \$'000
Interest in own shares		
Cost		
At 31 December 2003 as previously reported	238,261	—
Prior year adjustment in respect of UITF 38 (note 21)	(238,261)	—
At 31 December 2003 restated	—	—
Provision for diminution in value		
At 31 December 2003 as previously reported	238,261	—
Prior year adjustment in respect of UITF 38 (note 21)	(238,261)	—
At 31 December 2003 restated	—	—
Net book value		
At 31 December 2003	—	—

13. Debtors

	Group 2004 \$'000	2003 \$'000	Company 2004 \$'000	2003 \$'000
Amounts falling due within one year:				
Trade debtors	8,375	11,549	—	—
Amounts owed by associated undertakings				
– trading (note 31)	20,556	35,706	3	3
– loan (note 31)	43,589	9,456	—	—
Other debtors	7,691	13,548	—	—
Prepayments and accrued income	8,656	19,442	—	—
	88,867	89,701	3	3
Amounts falling due after one year:				
Amounts owed by associated undertakings – loan (note 31)	—	41,793	—	—
	—	41,793	—	—

14. Restricted cash

	Group 2004 \$'000	2003 \$'000	Company 2004 \$'000	2003 \$'000
Restricted cash	19,031	19,259	5,703	5,259

Restricted cash represents certificates of deposit at banks which are held as collateral for cash management facilities provided to Group companies and security for certain of the Group's third-party operating lease agreements and the related letters of guarantee. As a result, restricted cash is not available for general business purposes.

RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Creditors: amounts falling due within one year

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade creditors	13,010	19,221	—	—
Amounts owed to group undertakings	—	—	15,444	13,986
Amounts owed to associate undertakings (note 31)	15,286	35,247	—	—
Overseas taxation	510	1,298	—	—
Other taxation and social security	16,840	13,598	—	—
Other creditors	955	3,068	—	—
Accruals and deferred income	50,991	46,543	—	—
Obligations under finance leases (note 17)	2,145	1,879	—	—
	99,737	120,854	15,444	13,986

Amounts due to group undertakings and associate undertakings are unsecured and repayable on demand.

16. Creditors: amounts falling due after one year

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Obligations under finance leases (note 17)	1,675	3,503	—	—
Other creditors	814	110	—	—
	2,489	3,613	—	—

17. Finance leases

The Group has entered into a number of finance leases with Equant for network equipment. The maturity profile of the financial liabilities excluding other creditors is as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within one year	2,145	1,879	—	—
Within two to five years	1,675	3,503	—	—
After five years	—	—	—	—
Total	3,820	5,382	—	—

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****18. Pensions and similar obligations**

Group	Employee related costs \$'000
At 1 January 2004	1,247
Currency translation adjustments	56
Utilised in the year	(1,666)
Charged to profit and loss account	2,520
At 31 December 2004	2,157

The \$2,157,000 (2003: \$1,247,000) provision for employee related costs primarily arises in respect of the pension cost for current employees in the USA and Italy. The Company has no provisions for pensions and similar obligations.

19. Deferred taxation (assets)/liabilities

Where appropriate, deferred tax assets and liabilities are shown net for balance sheet presentation purposes.

Group	Deferred tax assets \$'000	Deferred tax liabilities \$'000	Deferred tax net \$'000
At 1 January 2004	—	186	186
Currency translation adjustments	(22)	(32)	(54)
Utilised in the year	—	—	—
(Released)/charged to profit and loss account	(712)	869	157
At 31 December 2004	(734)	1,023	289

The net closing deferred tax balance has been analysed as

Deferred tax asset			
Amounts falling due within one year	(181)	—	(181)
Amounts falling due after more than one year	(553)	—	(553)
Deferred tax liability (included in provisions for liabilities and charges)	—	1,023	1,023
At 31 December 2004	(734)	1,023	289

The Group has tax losses carried forward as at 31 December 2004 in a number of jurisdictions, and has recognised deferred tax assets of \$734,000 (2003: \$nil) in relation to some of these losses where it is considered that they will be utilised in the foreseeable future. Assets have been recognised only in jurisdictions where the intra group transfer pricing (which is on a cost plus basis for all costs except financing and foreign exchange) means that there is a very high probability that the respective entity will be profitable for all periods in the foreseeable future. The Group has assumed that taxable profits for future periods will be similar to current year taxable profits and treated tax losses as available to carry forward for the lesser period of 4 years or the statutory time limit for carrying forward tax losses.

RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20. Called up share capital

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Authorised				
1,000 ordinary "A" shares of £1 each	1,470	1,470	1,470	1,470
35,000,000 ordinary "C" shares of £0.000005 each	257	257	257	257
15,800 6.5% cumulative preference shares of \$1 each	15,800	15,800	—	—
	17,527	17,527	1,727	1,727

Allotted, called up and fully paid

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
1,000 ordinary "A" shares of £1 each	1,470	1,470	1,470	1,470
35,000,000 ordinary "C" shares of £0.000005 each	257	257	257	257
15,800 6.5% cumulative preference shares of \$1 each	15,800	15,800	—	—
	17,527	17,527	1,727	1,727

The rights relating to each class of share in issue at 31 December 2004 are as follows:

- (a) The 49% of shares that were previously owned by Equant, were known as "B" shares. These have been renamed to "A" shares. All of the "A" shares have no rights to dividends other than those that may be recommended by Directors. In the event of winding up the Company they rank pari passu with the other classes of shares and they carry one vote per share.
- (b) The ordinary "C" shares have no rights to dividends other than those that may be recommended by Directors. In the event of winding up the Company they rank pari passu with the other classes of shares. They do not carry any voting rights, other than in resolutions on the variation of their rights.
- (c) The 6.5% preference shares were issued by Radianz Americas Inc, a wholly owned US subsidiary of Radianz Limited, and are held by Reuters, the ultimate shareholders of Radianz Limited. The 6.5% preference shares carry a fixed cumulative preferential dividend at the rate of 6.5% per annum, payable on 30 June. The shares have no redemption entitlement. On a winding up the holders have priority before all other classes of shares to receive payment of capital plus any arrears of dividend. Each preference share carries 0.275 votes. 75% approval of the preference shareholders is required for matters directly affecting the number and voting rights of the preference shares.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****21. Reconciliation of movement in reserves**

Group	Share premium account \$'000	Exchange difference reserve \$'000	Profit & loss account \$'000
At 1 January 2004 (restated)	878,425	6,211	(700,937)
Retained loss for the financial year	—	—	(13,665)
Preference share appropriations for year ended 31 December 2004 (note 10)	—	—	10,270
Other gains and losses	—	4,927	—
At 31 December 2004	878,425	11,138	(704,332)

At 1 January 2004 the profit & loss account above reflects the prior year adjustment relating to UITF 38. There is no effect on the balances as the investment in own shares was fully written down in 2002.

Company	Share premium Account \$'000	Profit & loss account \$'000
At 1 January 2004	725,761	(542,046)
Retained loss for the financial year (note 9)	—	(866)
At 31 December 2004	725,761	(542,912)

Investment in own shares

Investment in own shares represents the Group cost of 35,000,000 shares (nominal value £175) held by the Group's ESOT. The Group established the ESOT to acquire shares in the Company for the benefit of employees and Directors of the Group. On 3 July 2000, the Company provided \$192 million for this purpose by way of a loan. On the same date the ESOT subscribed at market value for 28,206,850 of the Company's "C" ordinary shares. In March 2001 the Company issued a further 6,793,150 of the Company's ordinary "C" shares to Reuters and Equant for \$46.3 million in cash. The Company provided a loan to the ESOT in this amount which the ESOT used to purchase these ordinary "C" shares for issuance to employees. The option scheme does not allow employees or Directors to purchase shares at a discount to the market value at the date of grant of the options, therefore, no charge to the profit and loss account arises. The costs of funding and administering the scheme are charged to the profit and loss account of the Group in the period to which they relate.

The investment in own shares has been treated as a deduction from shareholders funds in accordance with the requirement of UITF 38.

During 2004, the Company issued 2.7 million options (2003: 4.7 million) at an exercise price of \$1.82 (2003: \$1.85). Additionally, 1.3 million options were cancelled during 2004 (2003: 7.4 million) due to employees who resigned or whose employment was terminated during the year.

A valuation of the Group is performed by a third party consultancy on a regular basis. As a result of a continuous decrease in the valuation of the Group, the receivable for shares held by the ESOT was written down to nil in 2002.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****22. Reconciliation of movement in shareholders' funds**

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Loss on ordinary activities after taxation	(3,395)	(86,033)	(866)	(79,369)
Accrued preference dividends payable (note 10)	(10,270)	(10,270)	—	—
Loss for the year	(13,665)	(96,303)	(866)	(79,369)
Other recognised gains and losses	4,927	6,664	—	—
Cumulative dividends not yet declared for year (note 10)	10,270	10,270	—	—
Opening shareholders' funds	183,717	263,086	183,717	263,086
Closing shareholders' funds	185,249	183,717	182,851	183,717

23. Shareholders' funds allocated to equity

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity share capital	2	2	2	2
Share premium	725,761	725,761	725,761	725,761
Exchange difference reserve	11,138	6,211	—	—
Profit and loss account reserve	(704,332)	(700,937)	(542,912)	(542,046)
Cumulative dividends due to non-equity Shareholders (note 10)	(46,215)	(35,945)	—	—
Total equity shareholders' funds	(13,646)	(4,908)	182,851	183,717

24. Shareholders' funds allocated to non-equity

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6.5% cumulative preference shares	16	16	—	—
Share premium	152,664	152,664	—	—
Cumulative dividend not paid	46,215	35,945	—	—
Total non-equity shareholders' funds	198,895	188,625	—	—

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****25. Reconciliation of operating loss to net cash outflow from operating activities**

Group	2004 \$'000	2003 \$'000
Operating loss	(35,536)	(87,054)
Depreciation charge	58,543	67,798
Impairment charge	—	15,345
Loss on sale of tangible fixed assets	130	146
Unwinding of the discount on related party loan	2,399	2,367
Decrease in debtors	42,573	123,349
Decrease in restricted cash	228	13,791
(Decrease)/ increase in trade creditors	(6,306)	7,611
Decrease in accruals, deferred income and other creditors	(14,476)	(136,553)
Increase/(decrease) in creditors falling due after more than one year	1,553	(572)
Net cash inflow from operating activities	49,108	6,228

Analysed as:		
Continuing activities	45,434	(1,571)
Discontinued activities	3,674	7,799
Net cash inflow from operating activities	49,108	6,228

26. Reconciliation of net cash flow to movement in net funds

Group	2004 \$'000	2003 \$'000
Increase / (decrease) in cash in the year	55,951	(35,180)
Cash flow movement from lease financing	(1,855)	(953)
Currency translation adjustments	2,492	(382)
Net funds at 1 January	8,142	44,657
Net funds at 31 December	64,730	8,142

	Cash \$'000	Obligations under finance leasing \$'000	Net funds \$'000
At 1 January 2004	9,095	(5,382)	3,713
New obligations under finance leases	—	(293)	(293)
Cash flow	55,951	1,855	57,806
Currency translation adjustments	2,492	—	2,492
At 31 December 2004	67,538	(3,820)	63,718

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****27. Pensions**

The pension charge, representing contributions paid in the year by the Group to various plans operated by Reuters, Equant and the Group itself to which the Group's employees belong, amounted to \$6.4 million (2003: \$5.5 million). Approximately \$2.3 million (2003: \$1.5 million) of pension contributions were payable at the year end to the Group's scheme in relation to US employees.

Group	Reuters \$'000	Equant \$'000	Radianz \$'000	Total \$'000
2004				
Defined contribution	2,847	—	2,480	5,327
Defined benefit	548	403	154	1,106
Total pension charge 2004	3,395	403	2,634	6,433
2003				
Defined contribution	2,733	43	1,567	4,343
Defined benefit	729	369	20	1,118
Total pension charge 2003	3,462	412	1,587	5,461

New employees are eligible to join the defined contribution plans.

The Group has no significant exposure to any other post-retirement benefit obligations.

Defined contribution plans

Approximately 85% of Radianz employees are members of various Group, Reuters or Equant defined contribution schemes, the largest being:

	% of employees	Company contribution % of basic salary
Radianz 401k Pension Plan (US)	40%	6.0%
Reuters Retirement Plan (UK)	25%	7.0%
Reuters Pension Fund (UK)	10%	10.0%

The Group currently operates its own pension plans in three territories. The largest such plan is a voluntary 401 (k) savings plan for the Group's employees in the United States, where the Group matches a percentage of each employee's contributions up to US Internal revenue Service limits. Also, the Group makes annual 'profit sharing 401k contributions' up to 4% of annual compensation. In certain territories the Group contributes a fixed percentage of each employee's salary to local schemes based on local requirements in that country.

Reuters operates 34 defined contribution plans of which Radianz staff are members. The Group does not have the ability to recover assets held by the plans, nor can it be required to make additional payments to the plans over and above the annual contributions referred to above. Custodial responsibility for the assets of the plans rests with two substantial independent UK investment managers.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Defined benefit plans**

Approximately 12% of Radianz employees are members of various defined benefit schemes, mainly with Reuters, but including a few Equant or Radianz schemes.

The largest defined benefit plan in terms of number of Radianz members is the Reuters Switzerland scheme (3% employees) – other defined benefit plans comprise individually less than 2% of employees in each and consist of 10 Reuters plans and 1 Equant plan.

The contributions paid by the Group to Reuters and Equant defined benefit schemes are accounted for as if the schemes were defined contribution schemes, as the Group is unable to identify its share of the underlying assets and liabilities in the schemes. This exemption is in accordance with Financial Reporting Standard No. 17. The cost of contributions to these pension schemes is based on pension costs across the respective Reuters and Equant group companies as a whole.

Management understand that the Group's liability in respect of both Reuters and Equant Pension Funds is limited to paying regular employer contributions agreed annually with the Trustees and that it has no further liability in respect of funding pension deficits.

Reuters operates 33 defined benefit plans in total, full information on which is disclosed in the Reuters PLC Group Accounts note 23. Reuters value their 17 largest plans under SSAP 24 with annual review and the remainder are subject to regular valuations based on the accepted actuarial practices and standards within the country in which the plan is established. The largest plans are directly invested and others are invested in insurance contracts. The remainder are internally funded in accordance with local practice with provisions in the subsidiary undertakings to recognise the pension obligations. Reuters disclosed a net pension liability under FRS17 of £51 million in 2004.

Under the November 2004 Equant share sale agreement to Reuters, Reuters and Radianz liability on the Equant defined benefit fund is limited to paying regular employer contributions. There was a total deficit of \$9.7 million (£4.4 million) on the last formal UK Equant scheme valuation as at 31 December 2001, which was updated at 31 December 2003 for accounting purposes giving a total deficit of \$33.1 million (£18.6 million) – Radianz employees comprise less than 2% of Equant scheme members. Equant UK Plan benefits are primarily based on the employees' compensation during the last three to five years before retirement and the number of years of service.

28. Operating lease commitments

At 31 December 2004 and 2003 the Group had annual commitments under non-cancellable operating lease agreements, in respect of properties, expiring as follows:

	Group		Company	
	2004	2003	2004	2003
	Land and buildings	Land and buildings	Land and buildings	Land and buildings
	\$'000	\$'000	\$'000	\$'000
Annual commitments under non-cancellable operating leases expiring:				
Within one year	897	90	—	—
Within two to five years	3,263	1,690	—	—
After five years	7,327	9,783	2,001	1,792
Total	11,487	11,563	2,001	1,792

RADIANTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Capital commitments

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Contracts placed for future capital expenditure not provided in the financial statements	952	1,306	—	—

30. Other commitments

Future minimum purchase commitments of the Group with telecommunication providers for various telecommunications, networking and voice services with contractual terms of more than one year as of 31 December 2004 are as follows:

Years ending 31 December	Minimum Commitments \$'000
2005	49,757
2006	43,647
2007	15,100
Total future purchase commitments	108,504

During the year ended 31 December 2004, the Group incurred expenses of \$69.3 million (2003: \$80.0 million) for such services.

31. Related party transactions

Related party transactions in the year are as follows:

Group	1 January 2004 \$'000	Amounts invoiced \$'000	Amounts collected / paid \$'000	Reclassified \$'000	31 December 2004 \$'000
Amounts receivable					
Reuters – trading	33,157	526,259	(538,860)	—	20,556
Equant – trading	2,549	(549)	(2,000)	—	—
Reuters loan	—	—	—	43,589	43,589
Equant loan	51,249	—	(7,660)	(43,589)	—
Total	86,955	525,710	(548,520)	—	64,145
Amounts payable					
Reuters	25,201	122,168	(132,083)	—	15,286
Equant	10,046	42,634	(48,084)	(4,596)	—
Total	35,247	164,802	(180,167)	(4,596)	15,286

Due to Reuters purchasing Equant's 49% shareholding of Radianz on 16 November 2004, balances owed to Equant of \$4,596,000 at 31 December 2004 are included in trade creditors and accruals. Under the terms of the sale agreement Equant assigned the Equant Loan to Reuters on that date. The balances owed by Equant were \$nil at 31 December 2004.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

Company	1 January 2004	Amounts invoiced	Amounts collected / paid	31 December 2004
	\$'000	\$'000	\$'000	\$'000
Amounts receivable				
Reuters	3	—	—	3
Amounts payable				
Reuters	—	—	—	—

Turnover from related parties relates primarily to the supply of network services.

Purchases from related parties relate to the provision of network operating services and other business support services.

The Group has extensive transactions and relationships with Reuters and Equant and their subsidiary companies, under the terms agreed in the Network Services Agreement with Reuters (NSA), and Shareholder Agreements relating to Radianz, Reuters and Equant.

On 16 November 2004, Reuters purchased the 49% shareholding owned by Equant. As a result the Shareholder Agreements were terminated.

Reuters has served notice of termination of the current NSA, to become effective on 1 July 2005. Following completion of the acquisition of Radianz by BT, it is intended that BT will become Reuters supplier of network services under a network services agreement with a term of eight and a half years.

The Group has taken advantage of the exemption under Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions between wholly owned entities, which are eliminated on consolidation.

32. Contingent liability

On 10 March 2005, Reuters and BT announced that an agreement for the sale of Radianz Limited by Reuters to BT had been signed. Completion of the acquisition is subject to final regulatory approvals and other customary completion conditions. If the acquisition is completed, payments to senior employees of the Group totalling \$11 million are payable within six months of completion.

33. Subsidiary undertakings

The principal subsidiary undertakings at 31 December 2004, all of which are included in the consolidated financial statements, are shown below.

A proportion of shares in Radianz France SAS, Radianz Italia Srl, Radianz Voice Services Limited and Radianz Hong Kong Limited are held by wholly owned subsidiaries of Radianz Limited. 3% of shares in Radianz Switzerland SA are held by Directors on Radianz Limited's behalf.

RADIANZ LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

Name of undertaking	Country of incorporation	Description of shares / interest held	Proportion of nominal value of issued shares held	Principal activity
Radianz Global Limited	England	Ordinary £1 shares	100%	Trading
Radianz Global Network Operations Limited	Jersey	Ordinary £1 shares	100%	Inactive
Radianz Global Sales Limited	England	Ordinary £1 shares	100%	Inactive
Radianz US Inc	USA	Ordinary 1 cent shares	100%	Management
Radianz Americas Inc	USA	Ordinary 1 cent shares	100%	Trading
Radianz Australia Pty Limited	Australia	Ordinary AUD\$1 shares	100%	Trading
Radianz GmbH	Austria	Sole ownership interest	100%	Trading
Radianz Italia Srl	Italy	Ordinary shares of EUR 1	100%	Trading
Radianz France SAS	France	Ordinary shares of FRF 50	100%	Trading
Radianz Germany GmbH	Germany	Sole ownership interest	100%	Trading
Radianz Hong Kong Limited	Hong Kong	Ordinary shares of HK\$1	100%	Trading
Radianz Japan K.K.	Japan	Ordinary shares of 50,000 Yen	100%	Trading
Radianz Asia Pte Ltd	Singapore	Ordinary shares of S\$1	100%	Trading
Radianz Switzerland SA	Switzerland	Ordinary shares of CHF 1,000	100%	Trading
Radianz Proton Limited	Cayman Islands	Ordinary shares of US \$1	100%	Trading
Radianz Connect Services Limited	England	Ordinary shares of £1	100%	Trading
Radianz Portugal Lda	Portugal	Sole ownership interest	100%	Trading
Radianz Belgium Sprl	Belgium	Sole ownership interest	100%	Trading
RDZ Netherlands BV	Netherlands	Sole ownership interest	100%	Trading
Radianz Spain SL	Spain	Sole ownership interest	100%	Trading
Radianz Luxembourg Sarl	Luxembourg	Sole ownership interest	100%	Trading
RDZ Sweden AB	Sweden	Sole ownership interest	100%	Trading
Radianz US Holdings Inc	USA	Ordinary 1 cent shares	100%	Inactive
Radianz Canada Inc	Canada	Common share of CAN\$1	100%	Inactive

34. Ultimate holding company

The Company is a subsidiary of Reuters Group PLC, which is incorporated in England and Wales. Copies of the accounts of Reuters Group PLC are available on the internet at www.about.reuters.com. Prior to 16 November 2004 Radianz Limited was a joint venture between Reuters Group PLC and Equant Finance BV.

EXHIBIT INDEX

- 1.1** Memorandum and Articles of Association of Reuters Group PLC
 - 2.1 Deposit Agreement, dated 18 February 1998 among Reuters Group PLC, Morgan Guaranty Trust Company of New York, as depositary, and all holders from time to time of American Depositary Receipts issued thereunder (incorporated by reference to Exhibit 2.2 to the Annual Report on Form 20-F filed by Reuters Group PLC with respect to the fiscal year ended 31 December 1997)
 - 4.1.1 Second Amended and Restated License, Maintenance and Distribution Agreement, dated October 1, 2003, between Reuters Limited and TIBCO Software Inc. (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-3 File No. 333-110304, filed by TIBCO on November 6, 2003, as amended)
 - 4.1.2** Amendment No. 1, dated February 27, 2005, to Second Amended and Restated License, Maintenance and Distribution Agreement, dated October 1, 2003, between Reuters Limited and TIBCO Software Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment)
 - 4.1.3 Registration and Repurchase Agreement dated 7 October 2003, between Reuters Limited and TIBCO Software Inc. (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 File No. 333-110304, filed by TIBCO on November 6, 2003, as amended)
 - 4.2 Network Services Agreement, dated 22 May 2000, between Reuters Limited and Proholdco Limited (subsequently renamed Radianz Limited) (incorporated by reference to Exhibit 4.4 to Amendment No. 1 to the Annual Report on Form 20-F filed by Reuters Group PLC with respect to the fiscal year ended 31 December 2000)
 - 4.3 Network Services Agreement, dated 28 September 2001, between Reuters Limited and SAVVIS Communications Corporation, as amended (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed by SAVVIS on 29 November 2001, Exhibit 10.57 to the Annual Report on Form 10-K filed by SAVVIS on 28 February 2003, Exhibits 10.1 and 10.2 to the Quarterly Report on Form 10-Q filed by SAVVIS on 12 August 2003, Exhibits 10.2 through 10.5 to the Quarterly Report on Form 10-Q filed by SAVVIS on 30 October 2003, and Exhibits 10.28 and 10.29 to the Annual Report on Form 10-K filed by SAVVIS on 24 February 2004)
 - 4.3.1** Letter Agreement between Reuters Limited and SAVVIS Communications Corporation, dated 22 October 2004, regarding settlement of certain credits and offsets under the Network Services Agreement
 - 4.4* Transitional Services Agreement (“TSA”) dated 2 June 2003 between Reuters Limited and Moneyline Telerate Holdings
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- 4.4.1** Amendment No. 1 dated 8 June 2004 to TSA (portions of this exhibit have been omitted pursuant to a request for confidential treatment)
 - 4.4.2** Amendment No. 2 dated 20 December 2004 to TSA (portions of this exhibit have been omitted pursuant to a request for confidential treatment)
 - 4.5* Deed of Covenant dated 11 October 2002 made by Reuters Group PLC relating to the £1,500,000,000 Euro-commercial Paper Programme
 - 4.5.1* Amended and Restated Note Agency Agreement dated 11 October 2002 among Reuters Group PLC (as Issuer), Citibank, N.A. (as Issue Agent and Principal Paying Agent) and Dexia Banque Internationale a Luxembourg S.A. (as Paying Agent)
 - 4.5.2* Dealer Agreement dated 11 October 2002 among Reuters Group PLC (as Issuer), Citibank International plc (as Arranger) and the various Dealers named therein
 - 4.6* Amended and Restated Programme Agreement dated 7 November 2003 among Reuters Group PLC (as Issuer and Guarantor), Reuters Finance PLC (as Issuer) and the various Initial Dealers named therein relating to the November 2003 update of the £1,000,000,000 Euro Medium Term Note Programme
 - 4.6.1* Amended and Restated Trust Deed dated 7 November 2003 between Reuters Group PLC (as Issuer and Guarantor), Reuters Finance PLC (as Issuer) and Citicorp Trustee Company Limited (as Trustee)
 - 4.6.2* Amended and Restated Agency Agreement dated 7 November 2003 between Reuters Group PLC (as Issuer and Guarantor), Reuters Finance PLC (as Issuer), Citibank NA (as Agent), Citibank AG and BNP Paribas Luxembourg (as Paying Agents) and Citicorp Trustee Company Limited (as Trustee)
 - 4.6.3* Pricing Supplement dated 17 November 2003 relating to the issue by Reuters Finance PLC of €500,000,000 4.625% Guaranteed Notes due 19 November 2010 under the £1,000,000,000 Euro Medium Term Note Programme
 - 4.6.4* Form of Permanent Global Note in respect of the issue by Reuters Finance PLC of €500,000,000 4.625% Guaranteed Notes due 19 November 2010 under the £1,000,000,000 Euro Medium Term Note Programme
 - 4.6.5* Pricing Supplement dated 24 March 1999 relating to the issue by Reuters Group PLC of £200,000,000 5.375% Notes due 26 November 2004 under the £1,000,000,000 Euro Medium Term Note Programme
 - 4.6.6* Permanent Global Note dated 24 March 1999 relating to the issue by Reuters Group PLC of £200,000,000 5.375% Notes due 26 November 2004 under the £1,000,000,000 Euro Medium Term Note Programme
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- 4.7* Syndicated Credit Facility Agreement, dated 25 April 2003, among Reuters Group PLC, HSBC Bank plc and J.P. Morgan plc, as arrangers, the financial institutions listed therein and HSBC Investment Bank Plc, as agent
 - 4.8** Acquisition Agreement dated 21 October 2004 among Equant Proton Holdings Limited, Equant N.V., Equant Inc., and Reuters Limited
 - 4.9 Amended and Restated Agreement and Plan of Merger dated 24 February 2003 by and among Reuters Group PLC, Proton Acquisition Corporation and Multex.com, Inc. (incorporated by reference to the Tender Offer Statement on Schedule TO-T filed by Reuters Group PLC on 26 February 2003)
 - 4.10.1* Service Agreement of Thomas H. Glocer with Reuters Group PLC dated 10 February 2004
 - 4.10.2* Service Agreement of David Grigson with Reuters Group PLC dated 21 June 2001, as amended 3 March 2004
 - 4.10.3* Service Agreement of Devin Wenig with Reuters Group PLC dated 3 March 2004
 - 4.10.4* Service Agreement of Devin Wenig with Reuters America LLC dated 3 March 2004
 - 4.10.5* Engagement Letter of Niall FitzGerald with Reuters Group PLC dated 2 March 2004
 - 4.10.6 Non-Executive Chairman Compensation Letter between Instinet Group Incorporated and Ian Strachan, dated January 1, 2003 (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K filed by Instinet Group on 28 March 2002)
 - 4.11** Rules of The Reuters Group PLC Long-Term Incentive Plan 1997
 - 4.12* Rules of the Reuters Group PLC Discretionary Stock Option Plan, as amended
 - 4.13** Stock and Asset Purchase Agreement dated as of 20 December 2004 by and among Reuters Limited, Reuters S.A, Moneyline Telerate Holdings, Inc., the subsidiaries of Moneyline Telerate Holdings named therein and One Equity Partners LLC (portions of this exhibit have been omitted pursuant to a request for confidential treatment)
 - 8.1 See Note 32 of the Notes to the Consolidated Financial Statements of Reuters Group PLC contained in the Annual Report.
- [12.1](#) [Certification of Thomas H. Glocer filed pursuant to 17 CFR 240.13a-14\(a\)](#).
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[12.2 Certification of David J. Grigson filed pursuant to 17 CFR 240.13a-14\(a\)](#)

[13.1 Certification of Thomas H. Glocer furnished pursuant to 17 CFR 240.13a-14\(b\) and 18 U.S.C.§1350](#)

[13.2 Certification of David J. Grigson furnished pursuant to 17 CFR 240.13a-14\(b\) and 18 U.S.C.§1350](#)

15** Consolidated Financial Statements and notes thereto for Radianz Limited for the fiscal year ended December 31, 2003

* Incorporated by reference to the identically numbered exhibit to the Annual Report on Form 20-F filed on 16 March 2004 by Reuters Group PLC with respect to the fiscal year ended 31 December 2003.

**Incorporated by reference to the identically numbered exhibit to the Annual Report on Form 20-F filed on 9 March 2005 by Reuters Group PLC with respect to the fiscal year ended 31 December 2004.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this amendment to its annual report on its behalf.

Date: 30 June 2005

Reuters Group PLC
(Registrant)

By /s/ David J Grigson

David J Grigson
Chief Financial Officer

CERTIFICATIONS

I, Thomas Henry Glocer, certify that:

1. I have reviewed this amendment to the annual report on Form 20-F of Reuters Group PLC;
2. Based on my knowledge, this amendment does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amendment; and
3. Based on my knowledge, the financial statements, and other financial information included in this amendment, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this amendment.

Dated: 30 June 2005

By /s/ Thomas H Glocer

Thomas H Glocer
Chief Executive

CERTIFICATIONS

I, David John Grigson, certify that:

1. I have reviewed this amendment to the annual report on Form 20-F of Reuters Group PLC;
2. Based on my knowledge, this amendment does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amendment; and
3. Based on my knowledge, the financial statements, and other financial information included in this amendment, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this amendment.

Dated: 30 June 2005

By /s/ David J Grigson

David J Grigson
Chief Financial Officer

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED BY SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

I, David John Grigson, Chief Financial Officer of Reuters Group PLC (the “Company”) hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes–Oxley Act of 2002, that to my knowledge:

- a) This amendment to the Company’s Annual Report on Form 20-F for the year ended December 31, 2004 (this “Amendment”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b) The information contained in this Amendment fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: 30 June 2005

By /s/ David J Grigson
David J Grigson
Chief Finance Officer
