

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

FORM 20-F/A  
(Amendment No. 2)

(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, 2003**

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.

<b>Ordinary Shares of 25p each</b>	<b>1,432,540,899</b>
<b>Founders Share of £1</b>	<b>1</b>

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 2003, which was filed on 16 March 2004 and amended on 23 March 2004. This amendment includes the Annual Financial Statements for Radianz Limited, which were not available at the time the original report was filed, and a report of Reuters Group's auditors revised to refer to the standards of the Public Company Accounting Oversight Board. The filing of this amendment shall not be deemed an admission that the original report included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading. 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 16 March 2004.

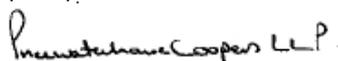
# United States opinion

## To the Board of directors and shareholders of Reuters Group PLC

In our opinion, the consolidated balance sheets and the related consolidated statements of income, total recognised gains and losses, cash flows and movements in shareholders' equity present fairly, in all material respects, the financial position of Reuters Group PLC and its subsidiaries at 31 December 2003, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2003, 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), which 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.

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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London  
3 March 2004

# Consolidated profit and loss account

for the year ended 31 December

	Notes	2003 £m	2002 £m	2001 £m
Revenue: Group and share of joint ventures less share of joint ventures revenue		<b>3,297</b> <b>(100)</b>	3,682 (107)	3,990 (105)
<b>Group revenue</b>	1	<b>3,197</b>	3,575	3,885
Operating costs	2	<b>(3,071)</b>	(3,719)	(3,583)
<b>Operating profit/(loss)</b>		<b>126</b>	(144)	302
Share of operating losses of joint ventures	16	<b>(27)</b>	(35)	(46)
Impairment of investments in joint ventures	16	<b>(8)</b>	(6)	(16)
Share of operating losses of associates	16	<b>(8)</b>	(39)	(39)
Impairment of investment in associate	16	<b>(1)</b>	–	(26)
Profit/(loss) on disposal of subsidiary undertakings	31	<b>3</b>	(29)	216
Profit/(loss) on disposal of joint ventures and associates	31	<b>10</b>	3	(7)
Loss on disposal of tangible fixed assets	15	<b>(17)</b>	–	(10)
Profit/(loss) on disposal of other fixed asset investments	31	<b>6</b>	(2)	35
Income from fixed asset investments		–	1	3
Amounts written off fixed asset investments	16	<b>(6)</b>	(222)	(245)
Net interest payable	3	<b>(29)</b>	(20)	(9)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>49</b>	(493)	158
Taxation on profit/(loss) on ordinary activities	4	<b>(22)</b>	(23)	(107)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>27</b>	(516)	51
Equity minority interests		<b>16</b>	112	(5)
<b>Profit/(loss) attributable to ordinary shareholders</b>		<b>43</b>	(404)	46
Dividends	5	<b>(140)</b>	(139)	(140)
<b>Loss for the period</b>		<b>(97)</b>	(543)	(94)
Basic earnings/(loss) per ordinary share	6	<b>3.1p</b>	(29.0p)	3.3p
Diluted earnings/(loss) per ordinary share	6	<b>3.0p</b>	(29.0p)	3.2p

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.

# Consolidated statement of total recognised gains and losses

for the year ended 31 December

	2003 £m	2002 £m	2001 £m
Profit/(loss) attributable to ordinary shareholders	<b>43</b>	(404)	46
Unrealised gain on deemed partial disposal of subsidiary undertakings	–	1	11
Unrealised gain on deemed partial disposal of associates	–	12	–
Unrealised gains on disposal of fixed asset investments	–	10	–
Translation differences taken directly to reserves	<b>(113)</b>	(95)	23
<b>Total recognised gains and losses relating to the year</b>	<b>(70)</b>	(476)	80

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



# Notes on the consolidated profit and loss account

## 1 Segmental analysis

The tables below show a segmental analysis of revenue, costs and results which reflects the way Reuters was managed during 2003. Revenue is allocated to customer segments by reference to the activities at particular customer sites. Activities at certain customer sites fall into more than one segment. In such cases revenue is allocated based on estimated activity by segment. Prior periods have been restated to reflect changes in the management of the cost base.

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 and centres of excellence.

Revenue	2003 £m	% change	2002 £m	% change	2001 £m
Treasury	1,018	(10%)	1,134	(5%)	1,189
Investment Banking	712	(15%)	834	2%	815
Asset Management	630	(11%)	709	3%	690
Corporates & Media	304	(4%)	315	(10%)	348
Reuters	2,664	(11%)	2,992	(2%)	3,042
Instinet Group	540	(9%)	592	(31%)	854
	3,204	(11%)	3,584	(8%)	3,896
Share of joint ventures revenue	100	(6%)	107	1%	105
Intra-group revenue	(7)	(26%)	(9)	(11%)	(11)
Gross revenue	3,297	(10%)	3,682	(8%)	3,990
Less share of joint ventures revenue	(100)	(6%)	(107)	1%	(105)
<b>Group revenue</b>	<b>3,197</b>	<b>(11%)</b>	<b>3,575</b>	<b>(8%)</b>	<b>3,885</b>

## Operating costs

Treasury	(96)	12%	(85)	(3%)	(89)
Investment Banking	(45)	2%	(45)	12%	(40)
Asset Management	(94)	(16%)	(112)	10%	(101)
Corporates & Media	(103)	(10%)	(116)	(28%)	(158)
Direct customer segment	(338)	(5%)	(358)	(8%)	(388)
Channels	(932)	(15%)	(1,103)	3%	(1,069)
Operations & Technology	(676)	(8%)	(734)	(4%)	(767)
Content	(286)	(5%)	(302)	(4%)	(315)
Corporate Services	(124)	(34%)	(188)	(29%)	(266)
Reuters	(2,356)	(12%)	(2,685)	(4%)	(2,805)
Instinet Group	(544)	(35%)	(835)	21%	(690)
Restructuring costs	(178)	(15%)	(208)	110%	(99)
Intra-group costs	7	(26%)	9	(18%)	11
	(3,071)	(17%)	(3,719)	4%	(3,583)

## Operating profit

Treasury	922	(12%)	1,049	(5%)	1,100
Investment Banking	667	(15%)	789	2%	775
Asset Management	536	(10%)	597	2%	589
Corporates & Media	201	–	199	6%	190
Segmental revenue less direct customer segment costs	2,326	(12%)	2,634	(1%)	2,654
Channels	(932)	(15%)	(1,103)	3%	(1,069)
Operations & Technology	(676)	(8%)	(734)	(4%)	(767)
Content	(286)	(5%)	(302)	(4%)	(315)
Corporate Services	(124)	(34%)	(188)	(29%)	(266)

Reuters	<b>308</b>	<b>-</b>	307	29%	237
Instinet Group	<b>(4)</b>	<b>(98%)</b>	(243)	-	164
Restructuring costs	<b>(178)</b>	<b>(15%)</b>	(208)	110%	(99)
<b>Operating profit/(loss)</b>	<b>126</b>	<b>-</b>	(144)	-	302

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

# Notes on the consolidated profit and loss account continued

## 1 Segmental analysis continued

Revenue is normally invoiced in the same 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/(loss).

By geography	2003 £m	% change	2002 £m	% change	2001 £m
<b>Revenue</b>					
Europe, Middle East and Africa	1,552	(9%)	1,714	(7%)	1,838
The Americas	1,204	(11%)	1,354	(10%)	1,502
Asia/Pacific	441	(13%)	507	(7%)	545
	<b>3,197</b>	<b>(11%)</b>	<b>3,575</b>	<b>(8%)</b>	<b>3,885</b>
<b>Operating costs where incurred</b>					
Europe, Middle East and Africa	(1,474)	(5%)	(1,557)	(11%)	(1,751)
The Americas	(1,232)	(20%)	(1,548)	10%	(1,411)
Asia/Pacific	(253)	(18%)	(307)	(6%)	(327)
	<b>(2,959)</b>	<b>(13%)</b>	<b>(3,412)</b>	<b>(2%)</b>	<b>(3,489)</b>
<b>Contribution</b>					
Europe, Middle East and Africa	78	(50%)	157	81%	87
The Americas	(28)	85%	(194)	–	91
Asia/Pacific	188	(5%)	200	(9%)	218
	<b>238</b>	<b>47%</b>	<b>163</b>	<b>(59%)</b>	<b>396</b>
<b>Other costs</b>					
Goodwill and other intangibles:					
Amortisation	(101)	(5%)	(107)	31%	(81)
Impairment	(20)	(90%)	(208)	–	–
Net currency gain/(loss)	9	24%	8	–	(13)
<b>Operating profit/(loss)</b>	<b>126</b>	<b>–</b>	<b>(144)</b>	<b>–</b>	<b>302</b>

United Kingdom and Ireland revenue was £428 million (2002: £485 million, 2001: £521 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, the Island acquisition in 2002 and the Bridge acquisition in 2001 are reflected principally in the Americas see note 31).

Revenue by type	2003 £m	% change	2002 £m	% change	2001 £m
Recurring	2,449	(9%)	2,699	(1%)	2,724
Usage	643	(10%)	713	(24%)	946
Outright	105	(36%)	163	(25%)	215
	<b>3,197</b>	<b>(11%)</b>	<b>3,575</b>	<b>(8%)</b>	<b>3,885</b>

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

## 2 Operating costs

Costs by type	2003 £m	% change	2002 £m	% change	2001 £m
Salaries, commission and allowances	1,015	(14%)	1,180	(9%)	1,299
Social security costs	73	(8%)	79	(5%)	83
Other, pension costs (see note 23)	50	(21%)	65	4%	63
Staff costs	1,138	(14%)	1,324	(8%)	1,445
Services	722	(11%)	811	(8%)	883
Depreciation	193	(15%)	227	(8%)	246
Data	300	(13%)	343	1%	340
Communications	376	(10%)	420	25%	335
Space	269	(14%)	312	29%	242
Cost of sales and other	10	(78%)	46	(16%)	55
Goodwill and other intangibles (see note 14):					
Amortisation	101	(5%)	107	31%	81
Impairment	20	(90%)	208	–	–
Other operating income	(48)	(32%)	(71)	25%	(57)
Currency hedging activities – net loss/(gain)	11	–	(10)	–	2
Foreign currency translation – net (gain)/loss	(21)	–	2	–	11
<b>Total costs by type</b>	<b>3,071</b>	<b>(17%)</b>	<b>3,719</b>	<b>4%</b>	<b>3,583</b>

The directors believe that the nature of the 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 the 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 comprises amounts received from joint ventures and others in respect of costs incurred by Reuters on their behalf.

Costs by function	2003 £m	% change	2002 £m	% change	2001 £m
Production and communications	1,661	(15%)	1,947	3%	1,883
Selling and marketing	580	1%	574	(23%)	741
Support services and administration	541	(21%)	683	(11%)	766
Goodwill and other intangibles:					
Amortisation	101	(5%)	107	31%	81
Impairment	20	(90%)	208	–	–
Restructuring costs	178	(15%)	208	110%	99
Net currency (gain)/loss	(10)	25%	(8)	–	13
<b>Total costs by function</b>	<b>3,071</b>	<b>(17%)</b>	<b>3,719</b>	<b>4%</b>	<b>3,583</b>

Costs include	2003 £m	% change	2002 £m	% change	2001 £m
Development expenditure	171	(15%)	200	(32%)	294
Operating lease expenditure:					
Hire of equipment	8	(11%)	9	(31%)	13
Other, principally property	107	(4%)	112	4%	108
Loss on disposal of tangible fixed assets	–	–	1	–	11
Advertising	37	18%	32	(7%)	34

# Notes on the consolidated profit and loss account continued

## 2 Operating costs continued

Fees payable to PricewaterhouseCoopers were as follows:

	2003 £m	% change	2002 £m	% change	2001 £m
Audit services:					
Statutory audit	3.0	30%	2.3	5%	2.2
Audit related services:					
Regulatory reporting	0.1	(50%)	0.2	–	–
Further assurance services	1.7	6%	1.6	(43%)	2.8
Tax services:					
Compliance services	0.8	(11%)	0.9	14%	0.7
Advisory services	0.8	14%	0.7	(50%)	1.4
Other services:					
Management consultancy	–	–	3.4	(52%)	7.1
Other	–	–	–	–	0.9
<b>Total fees</b>	<b>6.4</b>	<b>(30%)</b>	<b>9.1</b>	<b>(40%)</b>	<b>15.1</b>
United Kingdom	2.6	(60%)	5.8	(37%)	9.2
Overseas	3.8	15%	3.3	(44%)	5.9

The statutory audit fee includes £10,000 (2002: £10,000, 2001: £10,000) in respect of the parent company audit.

Further assurance services predominantly consist of 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 2001 and 2002 by PwC Consulting, which ceased to be part of PricewaterhouseCoopers on 1 October 2002.

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

## 3 Net interest receivable/(payable)

	2003 £m	2002 £m	2001 £m
Interest receivable:			
Listed investments	–	1	1
Unlisted investments	13	19	28
Share of joint ventures and associates interest (see note 16)	5	9	16
	<b>18</b>	<b>29</b>	<b>45</b>
Interest payable:			
Bank loans and overdraft	(10)	(4)	(3)
Other borrowings	(36)	(45)	(51)
Unwinding of discount on provisions	(1)	–	–
	<b>(47)</b>	<b>(49)</b>	<b>(54)</b>
<b>Total net interest payable</b>	<b>(29)</b>	<b>(20)</b>	<b>(9)</b>

## 4 Taxation on profit on ordinary activities

	2003 £m	2002 £m	2001 £m
<b>UK corporation tax</b>			
Current tax on income for the period	68	43	37
Share of joint ventures and associates tax (see note 16)	1	–	–
Adjustments in respect of prior periods	(19)	(13)	(19)
	50	30	18
Double taxation relief	(4)	(7)	(23)
	46	23	(5)
<b>Foreign tax</b>			
Current tax on income for the period	26	82	150
Share of joint ventures and associates tax (see note 16)	6	6	(4)
Adjustments in respect of prior periods	(36)	(9)	16
	(4)	79	162
<b>Total current tax</b>	42	102	157
Deferred taxation (see note 24)	(20)	(79)	(50)
<b>Tax on profit/(loss)</b>	22	23	107

In accordance with the requirements of FRS 19 'Deferred Tax', a reconciliation of the current tax charge on ordinary activities for the period reported in the profit and loss account is set out below.

	2003 £m	2002 £m	2001 £m
Profit/(loss) before tax	49	(493)	158
Corporation tax on pre-tax profit/(loss) at UK nominal rate of 30%	15	(148)	48
Non-tax deductible amortisation and impairment of goodwill and other intangibles	30	88	28
Adjustments in respect of prior years	(55)	(22)	(3)
Permanent differences	7	13	2
Book profit on Instinet IPO not taxable	–	–	(60)
Non-tax deductible investment impairments	5	77	86
Fixed asset related timing differences	(12)	1	5
Non-fixed asset related timing differences	(15)	39	11
Tax losses not currently utilised	56	35	35
Tax on dividend received on acquisition of Island	–	10	–
Other differences	11	9	5
<b>Total current tax</b>	42	102	157

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

No tax is expected to fall due in respect of the disposal of fixed asset investments, subsidiaries and associates in 2004 (2003 and 2002: £nil).

There is no tax impact on the unrealised gains arising in 2003 (2002 and 2001: £nil).

# Notes on the consolidated profit and loss account continued

## 5 Dividends

	2003 £m	2002 £m	2001 £m
Interim paid	54	53	54
Final (2003 proposed)	86	86	86
	<b>140</b>	139	140
<b>Per ordinary share</b>	<b>Pence</b>	Pence	Pence
Interim paid	3.85	3.85	3.85
Final (2003 proposed)	6.15	6.15	6.15
	<b>10.00</b>	10.00	10.00

## 6 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	2003	2002	2001
Ordinary shares in issue	1,432	1,432	1,431
Non-vested shares held by employee share ownership trusts	(36)	(37)	(27)
Basic earnings per share denominator	1,396	1,395	1,404
Issuable on conversion of options	18	–	28
Diluted earnings per share denominator	1,414	1,395	1,432

## 7 Remuneration of directors

The remuneration report on pages 17-24 includes details of directors' emoluments, pension arrangements, long-term incentive plans and stock option plans; details of which form part of these financial statements.

## 8 Employee information

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

Customer segment	2003	2002	2001
Treasury	465	373	241
Investment Banking	189	169	166
Asset Management	627	759	354
Corporates & Media	793	858	1,279
Direct customer segment	2,074	2,159	2,040
Channels	5,431	5,843	5,901
Operations & Technology	3,563	3,633	3,475
Content	3,399	3,348	3,813
Corporate Services	1,533	1,619	1,508
Reuters	16,000	16,602	16,737
Instinet Group	1,345	1,731	2,251
Total	17,345	18,333	18,988
<b>By location</b>			
Europe, Middle East and Africa	8,743	8,920	9,283

The Americas	<b>6,065</b>	6,874	6,998
Asia/Pacific	<b>2,537</b>	2,539	2,707
<hr/>			
Total	<b>17,345</b>	18,333	18,988
<hr/>			
<b>By function</b>			
Production and communications	<b>9,022</b>	9,658	9,809
Selling and marketing	<b>4,846</b>	5,146	5,282
Support services and administration	<b>3,477</b>	3,529	3,897
<hr/>			
Total	<b>17,345</b>	18,333	18,988
<hr/>			
The above include:			
Development staff	<b>2,123</b>	2,109	2,440
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The average number of employees during 2003 included 211 temporary staff (2002: 281, 2001: 341).

# Consolidated cash flow statement

for the year ended 31 December

	Notes	2003 £m	2002 £m	2001 £m
<b>Net cash inflow from operating activities</b>	9	<b>429</b>	355	887
<b>Dividends received from associates</b>		<b>3</b>	2	2
<b>Returns on investments and servicing of finance</b>				
Interest received		17	20	30
Interest paid		(45)	(58)	(40)
Income from fixed asset investments		–	1	3
Dividends paid to equity minority interests		–	(27)	–
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(28)</b>	(64)	(7)
<b>Taxation paid</b>		<b>(33)</b>	(73)	(173)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(131)	(168)	(276)
Sale of tangible fixed assets		13	15	6
Purchase of fixed asset investments		(3)	(80)	(73)
Sale of fixed asset investments		11	22	68
<b>Net cash outflow on capital expenditure and financial investment</b>		<b>(110)</b>	(211)	(275)
<b>Acquisitions and disposals (including joint ventures and associates)</b>	10	<b>(106)</b>	(6)	(89)
<b>Equity dividends paid</b>		<b>(140)</b>	(139)	(227)
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>		<b>15</b>	(136)	118
<b>Management of liquid resources</b>				
Net (increase)/decrease in short-term investments	10	(99)	378	(448)
<b>Financing</b>				
Proceeds from the issue of shares	26	–	2	16
Net (decrease)/increase in borrowings	10	(13)	(158)	350
<b>Net cash (outflow)/inflow from financing</b>		<b>(13)</b>	(156)	366
<b>(Decrease)/increase in cash</b>	11	<b>(97)</b>	86	36

	Notes	2003 £m	2002 £m	2001 £m
<b>Reconciliation of net cash flow to movement in net debt</b>				
(Decrease)/increase in cash		(97)	86	36
Cash outflow/(inflow) from movement in borrowings	10	13	158	(350)
Cash inflow/(outflow) from movement in liquid resources	10	99	(378)	448
<b>Change in net funds/(debt) resulting from cash flows</b>		<b>15</b>	(134)	134
Net funds arising on acquisitions		3	1	15
Translation differences		(29)	(71)	23
<b>Movement in net (debt)/funds</b>		<b>(11)</b>	(204)	172
Opening net (debt)/funds	11	(66)	138	(34)
<b>Closing net (debt)/funds</b>	11	<b>(77)</b>	(66)	138

# Notes on the consolidated cash flow statement

## 9 Net cash inflow from operating activities

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

	2003 £m	2002 £m	2001 £m
Operating profit/(loss)	126	(144)	302
Depreciation	193	227	246
Amortisation and impairment of goodwill and other intangible assets	121	315	81
(Increase)/decrease in stocks	(1)	2	4
Decrease/(increase) in debtors	316	241	(6)
(Decrease)/increase in creditors	(316)	(314)	254
Loss on disposal of tangible fixed assets	–	1	11
Amounts written (back)/off interests in own shares	(12)	3	12
Other, principally translation differences	2	24	(17)
<b>Net cash inflow from operating activities</b>	<b>429</b>	<b>355</b>	<b>887</b>

## 10 Analysis of cash flows for headings netted in the cash flow statement

	2003 £m	2002 £m	2001 £m
<b>Acquisitions and disposals (including joint ventures and associates)</b>			
Cash consideration:			
Subsidiary undertakings (see note 31)	(155)	(41)	(373)
Joint ventures	–	(2)	(44)
Associates	–	–	(22)
Loans (repaid to)/from joint ventures and associates	(3)	6	(9)
Deferred payments for acquisitions in prior years	(11)	(5)	(3)
	(169)	(42)	(451)
Less cash acquired (net of cash disposed)	38	29	5
	(131)	(13)	(446)
Cash received from disposals (including deemed disposals):			
Subsidiary undertakings	10	4	357
Joint ventures and associates	15	3	–
	(106)	(6)	(89)
<b>Management of liquid resources</b>			
(Increase)/decrease in term deposits	(5)	84	(66)
Purchase of certificates of deposit	–	–	(31)
Sale of certificates of deposit	–	1	30
Purchase of listed/unlisted securities	(3,582)	(4,587)	(1,566)
Sale of listed/unlisted securities	3,488	4,880	1,185
	(99)	378	(448)
<b>Financing</b>			
(Decrease)/increase in short-term borrowings	(78)	(173)	300
Increase in long-term borrowings	65	15	50
<b>Net cash (outflow)/inflow from financing</b>	<b>(13)</b>	<b>(158)</b>	<b>350</b>

## 11 Analysis of net funds

	Bank/other borrowings						
	Cash at bank and in hand £m	Overdrafts £m	Total cash and overdrafts £m	Short-term investments £m	Falling due within one year £m	Falling due after more than one year £m	Total £m
31 December 2001	138	(86)	52	1,019	(595)	(338)	138
Cash flow	23	63	86	(378)	173	(15)	(134)
Exchange movements	(3)	4	1	(71)	(1)	–	(71)
Arising on acquisition	–	–	–	–	1	–	1

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
<b>31 December 2003</b>	<b>72</b>	<b>(29)</b>	<b>43</b>	<b>622</b>	<b>(336)</b>	<b>(406)</b>	<b>(77)</b>

## 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 management' in the Operating and financial review on pages 38-39.

A substantial portion of Reuters revenue is receivable in foreign currencies with terms of payment up to three months in advance. As such, Reuters is subject to currency exposure from committed revenue and, additionally, to interest rate risk from borrowing and the investment of cash balances. Reuters 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 would be subject to market risk on these financial instruments from fluctuations in currency and interest rates. Reuters 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:

	2003			2002			2001		
	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	102	–	1	96	–	7	110	–	13
Contracts in loss	63	–	(1)	154	–	(6)	143	–	(3)
Foreign currency options:									
Contracts in profit	23	–	1	194	2	1	163	–	1
Contracts in loss	88	–	(1)	60	–	(1)	148	–	(2)
Currency and interest rate swaps:									
Contracts in profit	614	26	27	361	12	16	210	–	1
Contracts in loss	67	–	–	203	(14)	(17)	127	–	(1)
<b>Total</b>	<b>957</b>	<b>26</b>	<b>27</b>	<b>1,068</b>	<b>–</b>	<b>–</b>	<b>901</b>	<b>–</b>	<b>9</b>

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.

	2003			2002			2001		
	Swaps %	Forwards %	Options %	Swaps %	Forwards %	Options %	Swaps %	Forwards %	Options %
Euro	4	60	100	–	54	100	–	22	90
Japanese yen	–	3	–	–	33	–	–	31	–
US dollar	88	36	–	–	–	–	–	23	10
Other	8	1	–	–	13	–	–	24	–
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>–</b>	<b>100</b>	<b>100</b>	<b>–</b>	<b>100</b>	<b>100</b>

Foreign exchange forward contracts and options mature at dates up to June 2004; currency swaps and interest rate swaps both mature at various dates through to November 2010.

# Notes on the consolidated cash flow statement continued

## 12 Derivatives and other financial instruments continued

The results of currency and interest rate hedging activities for the three years to December 2003 are as summarised below:

Recognised gains/(losses)	Year to 31 December		
	2003 £m	2002 £m	2001 £m
Currency hedging	11	10	(4)
Interest rate hedging	(3)	(2)	(1)

Recognised currency hedging gains in 2003 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	Gains £m	(Losses) £m	Net £m
Unrecognised at 1 January 2003	13	(13)	0
Arising in previous years recognised in 2003	(11)	10	(1)
not recognised in 2003	2	(3)	(1)
Arising in 2003 not recognised in 2003	3	(1)	2
Unrecognised at 31 December 2003	5	(4)	1
Of which:			
expected to be recognised in 2004	4	(2)	2
expected to be recognised in 2005 or later	1	(2)	(1)

Net unrecognised gains on derivatives used for hedging were £1 million at 31 December 2003 compared to £nil at 31 December 2002 and unrecognised gains of £9 million in 2001.

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 2003 was 3% (2002: 4%, 2001: 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 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:

	2003		2002		2001	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Derivative instruments	26	27	–	–	–	9
Other financial assets:						
Fixed asset investments	54	73	66	67	140	160
Long-term debtors	21	21	12	12	15	15
Short-term investments and cash	694	694	728	728	1,157	1,160
Other financial liabilities:						
Short-term borrowings	(365)	(365)	(441)	(441)	(681)	(681)
Long-term borrowings	(406)	(406)	(353)	(353)	(338)	(338)
Other long-term financial liabilities	(113)	(113)	(88)	(88)	(29)	(29)

The fair value of fixed asset investments 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.

The fair value of long-term liabilities is after taking into account the effect of interest rate swaps.

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.

## 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 2003 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 2003 with all other variables remaining constant.

	Fair value changes arising from		
	Fair value £m	1% increase in interest rates (adverse) £m	10% weakening in £ against other currencies (adverse) £m
Currency and interest rate swaps	27	(26)	3
Forward contracts	–	–	(16)
<b>Total</b>	<b>27</b>	<b>(26)</b>	<b>(13)</b>

Monetary assets and liabilities by currency, after cross currency swaps, excluding the functional currency of each operation at 31 December 2003, were:

	Net foreign currency monetary assets/(liabilities)							
	Sterling £m	US dollar £m	Euro £m	Swiss franc £m	Japanese yen £m	Hong Kong dollar £m	Other £m	Total £m
Functional currency of operation:								
Sterling	–	(405)	(3)	(38)	2	–	10	(434)
US dollar	(21)	–	–	(10)	–	–	–	(31)
Euro	(10)	–	–	–	–	–	1	(9)
Swiss franc	26	1	4	–	(2)	–	–	29
Japanese yen	1	–	–	–	–	–	–	1
Hong Kong dollar	2	19	–	–	(3)	–	(1)	17
Other	(3)	18	–	–	–	–	–	15
<b>Total</b>	<b>(5)</b>	<b>(367)</b>	<b>1</b>	<b>(48)</b>	<b>(3)</b>	<b>–</b>	<b>10</b>	<b>(412)</b>

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. Exchange differences attributable to long-term foreign currency borrowings used to finance the Group's foreign currency investments are taken directly to reserves.

The currency and interest rate profile of the Group's financial assets at 31 December 2003 was:

	Cash and short-term investments				Fixed rate investments		
	Total £m	Non-interest bearing £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	105	1	98	6	4%	1	
US dollar	559	55	503	1	2%	1	
Euro	45	4	41	–	–	–	
Other	57	12	31	14	2%	1	
<b>31 December 2003</b>	<b>766</b>	<b>72</b>	<b>673</b>	<b>21</b>	<b>2%</b>	<b>1</b>	
31 December 2002	806	78	717	11	2%	1	
31 December 2001	1,312	155	1,022	135	3%	2	

Sterling, US dollar and euro short-term floating rate investments include £303 million (2002: £135 million, 2001: £301 million) of money market deposits which mature within three months of the balance sheet date. Interest on floating rate investments is earned at rates based on local money market rates.

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

# Notes on the consolidated cash flow statement continued

## 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 2003 was:

	Borrowings		
	Total £m	Other financial liabilities £m	Floating rate borrowings £m
Sterling	291	30	261
US dollar	515	72	443
Euro	29	8	21
Swiss franc	39	–	39
Other	10	3	7
<b>31 December 2003</b>	<b>884</b>	<b>113</b>	<b>771</b>
31 December 2002	882	88	794
31 December 2001	1,048	29	1,019

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 bank borrowings at 31 December 2003 was 4% (2002: 4%, 2001: 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:

	2003		2002		2001	
	Borrowings £m	Other financial liabilities £m	Borrowings £m	Other financial liabilities £m	Borrowings £m	Other financial liabilities £m
Within one year	365	55	441	35	681	16
Between one and two years	58	19	282	23	137	3
Between two and five years	24	39	71	30	201	10
Over five years	324	–	–	–	–	–
<b>Total</b>	<b>771</b>	<b>113</b>	<b>794</b>	<b>88</b>	<b>1,019</b>	<b>29</b>

In April 2003, Reuters Group PLC entered into syndicated credit facilities for £1.0 billion, of which £640 million expires in 2008 and £360 million expires in 2004, with the ability to extend the maturity of the latter in whole or in part in certain circumstances. The facility is at variable interest rates based on LIBOR, the London Interbank Offer Rate, is committed and may be drawn and redrawn up to one month prior to its maturity in April 2008. There are also bilateral facilities of £90 million. At December 2003, the above facilities were undrawn. In January 2004, the company cancelled £200 million of the portion of the syndicated facility and £10 million of the bilateral facilities which expire in April 2004.

In March 1998, Reuters established a Euro Commercial Paper Programme. This provides access to £1.5 billion of uncommitted short-term finance of which £1,487 million was unused at 31 December 2003. In December 1998, Reuters established a £1.0 billion Euro Medium Term Note Programme of which £273 million was unused at 31 December 2003.

In addition, at 31 December 2003, the Group had unused, short-term, uncommitted bank borrowing facilities denominated in various currencies, the sterling equivalent of which was approximately £500 million, at money market rates varying principally between 0% and 5%, depending on the currency.

# Consolidated balance sheet

at 31 December

	Notes	2003 £m	2002 £m	2001 £m
<b>Fixed assets</b>				
Intangible assets	14	375	418	498
Tangible assets	15	481	601	691
Investments	16			
Investments in joint ventures:				
Share of gross assets		108	207	270
Share of gross liabilities		(56)	(110)	(118)
		52	97	152
Share of net assets of associates		230	266	329
Other investments		128	134	293
		<b>1,266</b>	<b>1,516</b>	<b>1,963</b>
<b>Current assets</b>				
Stocks	17	2	1	3
Debtors	18	708	1,019	1,231
Deferred taxation	24	273	260	184
Short-term investments	19	622	570	1,019
Cash at bank and in hand		72	158	138
		<b>1,677</b>	<b>2,008</b>	<b>2,575</b>
<b>Creditors: Amounts falling due within one year</b>	20	<b>(1,766)</b>	<b>(2,198)</b>	<b>(2,709)</b>
<b>Net current liabilities</b>		<b>(89)</b>	<b>(190)</b>	<b>(134)</b>
<b>Total assets less current liabilities</b>		<b>1,177</b>	<b>1,326</b>	<b>1,829</b>
<b>Creditors: Amounts falling due after more than one year</b>	21	<b>(425)</b>	<b>(354)</b>	<b>(344)</b>
<b>Provisions for liabilities and charges</b>				
Pensions and similar obligations	23	(63)	(59)	(58)
Deferred taxation	24	(33)	(27)	(30)
Other provisions	25	(175)	(159)	(124)
<b>Net assets</b>		<b>481</b>	<b>727</b>	<b>1,273</b>
<b>Capital and reserves</b>	26			
Called-up share capital		358	358	358
Share premium account		91	91	89
Other reserve		(1,717)	(1,717)	(1,717)
Capital redemption reserve		1	1	1
Profit and loss account reserve		1,553	1,763	2,378
Shareholders' equity		<b>286</b>	<b>496</b>	<b>1,109</b>
Equity minority interests		<b>195</b>	<b>231</b>	<b>164</b>
<b>Capital employed</b>		<b>481</b>	<b>727</b>	<b>1,273</b>

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

The financial statements on pages 42-73 and the summary of differences between UK and US generally accepted accounting principles on pages 74-79 were approved by the directors on 3 March 2004.

**Tom Gloer**  
Chief Executive

**David Grigson**  
Finance Director

# Reconciliation of movements in shareholders' funds

for the year ended 31 December

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	2003 £m	2002 £m	2001 £m
Loss for the period	(97)	(543)	(94)
Unrealised gain on deemed partial disposal of subsidiary undertakings	–	1	11
Unrealised gain on deemed partial disposal of associates	–	12	–
Unrealised gain on disposal of fixed asset investments	–	10	–
Translation differences taken directly to reserves	(113)	(95)	23
Shares issued during the year	–	2	16
Net movement in shareholders' equity	(210)	(613)	(44)
Opening shareholders' equity	496	1,109	1,153
<b>Closing shareholders' equity</b>	<b>286</b>	<b>496</b>	<b>1,109</b>

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# 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.

By customer segment	Total assets			Non-interest bearing net assets		
	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m
Treasury Services	200	227	224	121	141	171
Investment Banking	113	131	162	47	49	67
Asset Management	125	160	175	45	55	74
Corporates & Media	136	170	224	42	75	109
<b>Total customer segment</b>	<b>574</b>	<b>688</b>	<b>785</b>	<b>255</b>	<b>320</b>	<b>421</b>
Channels	387	437	513	235	269	323
Operations & Technology	303	435	522	199	236	319
Content	27	27	36	(56)	(66)	(69)
Corporate Services	13	14	19	(27)	(33)	(28)
Central	485	579	699	(39)	(12)	48
Instinet Group	1,154	1,344	1,964	(9)	79	121
<b>Total assets/non-interest bearing net assets</b>	<b>2,943</b>	<b>3,524</b>	<b>4,538</b>	<b>558</b>	<b>793</b>	<b>1,135</b>
Interest bearing net assets				(77)	(66)	138
<b>Total net assets</b>				<b>481</b>	<b>727</b>	<b>1,273</b>

By location	Total assets			Non-interest bearing net assets		
	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m
Europe, Middle East and Africa	974	1,381	1,803	203	633	652
The Americas	1,323	1,660	2,093	117	253	523
Asia/Pacific	157	192	241	42	40	64
Central	489	291	401	196	(133)	(104)
<b>Total assets/non-interest bearing net assets</b>	<b>2,943</b>	<b>3,524</b>	<b>4,538</b>	<b>558</b>	<b>793</b>	<b>1,135</b>
Fixed assets	1,266	1,516	1,963			
Current assets	1,677	2,008	2,575			
<b>Total assets</b>	<b>2,943</b>	<b>3,524</b>	<b>4,538</b>			

Central total assets by customer segment consist principally of Reuters cash and short-term investments plus interests in own shares, joint ventures and associates. Central total assets by location consist principally of those assets held by head office operations together with unamortised goodwill and other intangibles.

## 14 Intangible assets

	Goodwill £m	Trade names £m	Technology know-how £m	Total £m
<b>Cost</b>				
31 December 2002	1,037	36	127	1,200
Reclassification	(22)	–	22	–
Exchange differences	(70)	3	(12)	(79)
Additions	99	–	24	123
Disposals	(8)	–	–	(8)
<b>31 December 2003</b>	<b>1,036</b>	<b>39</b>	<b>161</b>	<b>1,236</b>

**Amortisation and impairment**

31 December 2002	(758)	(5)	(19)	(782)
Reclassification	1	–	(1)	–
Exchange differences	32	–	3	35
Disposals	7	–	–	7
Charged in the year:				
Amortisation	(73)	(5)	(23)	(101)
Impairment	(7)	(1)	(12)	(20)
<b>31 December 2003</b>	<b>(798)</b>	<b>(11)</b>	<b>(52)</b>	<b>(861)</b>
<b>Net book amount</b>				
<b>31 December 2003</b>	<b>238</b>	<b>28</b>	<b>109</b>	<b>375</b>
31 December 2002	279	31	108	418

The reclassification results from the finalisation of the fair value adjustments in respect of the acquisition of AVT Technologies Limited in 2002 and is based on an independent valuation performed by professionally qualified valuers.

# Notes on the consolidated balance sheet continued

## 15 Tangible assets

	Freehold property £m	Leasehold property £m	Computer systems equipment £m	Office equipment and motor vehicles £m	Total £m
<b>Cost</b>					
31 December 2002	228	251	1,450	316	2,245
Exchange differences	(4)	(22)	(101)	(19)	(146)
Additions	23	5	90	12	130
Acquisitions	–	4	4	1	9
Disposals	(2)	(24)	(403)	(63)	(492)
<b>31 December 2003</b>	<b>245</b>	<b>214</b>	<b>1,040</b>	<b>247</b>	<b>1,746</b>
<b>Depreciation</b>					
31 December 2002	(75)	(113)	(1,210)	(246)	(1,644)
Exchange differences	–	3	90	19	112
Charged in the year	(7)	(24)	(124)	(38)	(193)
Impairment	(17)	–	–	–	(17)
Acquisitions	–	–	(2)	–	(2)
Disposals	2	22	393	62	479
<b>31 December 2003</b>	<b>(97)</b>	<b>(112)</b>	<b>(853)</b>	<b>(203)</b>	<b>(1,265)</b>
<b>Net book amount</b>					
<b>31 December 2003</b>	<b>148</b>	<b>102</b>	<b>187</b>	<b>44</b>	<b>481</b>
31 December 2002	153	138	240	70	601

The impairment charge for freehold property represents a provision for loss on disposal of London-based property. The disposal was completed in January 2004 (see note 33).

	2003 £m	2002 £m
<b>Net book amount of leasehold property</b>		
Long-term leaseholds	<b>44</b>	38
Short-term leaseholds	<b>58</b>	100
	<b>102</b>	138
Contracted capital commitments	<b>14</b>	11

## 16 Investments

	Interests in own shares £m	Interests in joint ventures £m	Interests in associates £m	Other investments £m	Total £m
<b>Net assets/cost</b>					
31 December 2002	68	94	258	66	486
Reclassifications	–	(7)	–	(4)	(11)
Exchange differences	–	(4)	(22)	(2)	(28)
Additions	–	–	–	3	3
Arising in year – share of:					
Operating losses	–	(24)	(4)	–	(28)
Interest receivable	–	1	4	–	5
Taxation	–	(4)	(3)	–	(7)
Dividends received	–	–	(3)	–	(3)
Loans to joint ventures (see note 29)	–	6	–	–	6
Loan to joint venture written off (see note 29)	–	(8)	–	–	(8)
Impairments	(3)	–	(1)	(3)	(7)
Amount written back	9	–	–	–	9
Disposals (see note 31)	–	(2)	(3)	(6)	(11)
<b>31 December 2003</b>	<b>74</b>	<b>52</b>	<b>226</b>	<b>54</b>	<b>406</b>
<b>Goodwill</b>					
31 December 2002	–	3	8	–	11
Charged in the year	–	(3)	(4)	–	(7)
<b>31 December 2003</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>
<b>Net book amount</b>					
31 December 2003					
Net assets/cost	74	52	226	54	406
Goodwill	–	–	4	–	4
	<b>74</b>	<b>52</b>	<b>230</b>	<b>54</b>	<b>410</b>
31 December 2002					
Net assets/cost	68	94	258	66	486
Goodwill	–	3	8	–	11
	68	97	266	66	497
<b>Listed investments at 31 December 2003</b>					
Carrying value	74	–	199	11	284
Market value	84	–	464	30	578

The net book amount of interests in own shares represents the cost less amounts written off and impairments in respect of 36 million Reuters ordinary shares held by employee share ownership trusts (ESOTs). These were acquired on the open market using funds provided by Reuters. The amount written back includes employee interests under incentive plans which were being charged against profit over the vesting period of the awards (see pages 18-19). The ESOTs have waived dividend and voting rights on all shares they hold. The aggregate dividend waived on these shares in 2003 was £4 million (2002: £4 million, 2001: £3 million).

The carrying value of interests in joint ventures and associates at 31 December 2003 comprises the following assets and liabilities:

	Joint ventures £m	Associates £m
Fixed assets	57	95
Current assets	51	218
Liabilities falling due within one year	(52)	(64)
Liabilities falling due after more than one year	(4)	(19)
	52	230
Share of revenue	100	138

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 reclassifications reflect the acquisition of Multex. (See note 31).

Had all listed investments been disposed of on 31 December 2003, tax of approximately £8 million would have been payable on the assumption that none of the earnings would be repatriated. The market value of interests in associates excludes 2.5 million TSI shares held by Reuters, which are subject to 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.

# Notes on the consolidated balance sheet continued

## 17 Stocks

	2003 £m	2002 £m	2001 £m
Contract work in progress	2	2	5
Less progress payments	–	(2)	(3)
	2	–	2
Equipment stocks	–	1	1
<b>Total stocks</b>	<b>2</b>	<b>1</b>	<b>3</b>

## 18 Debtors

	2003 £m	2002 £m	2001 £m
<b>Amounts falling due within one year</b>			
Trade debtors	211	249	299
Less allowance for doubtful accounts	(41)	(52)	(47)
	170	197	252
Instinet counterparty debtors	356	514	621
Amounts owed by joint ventures and associates	21	81	104
Other debtors	84	149	160
Prepayments and accrued income	56	66	79
	687	1,007	1,216
<b>Amounts falling due after more than one year</b>			
Other debtors	16	12	15
Prepayments and accrued income	5	–	–
<b>Total debtors</b>	<b>708</b>	<b>1,019</b>	<b>1,231</b>

## 19 Short-term investments

		2003 £m	2002 £m	2001 £m
<b>Listed</b>				
Government securities:	UK	10	23	–
	Overseas	18	29	55
Other deposits	Overseas	109	329	342
		137	381	397
<b>Unlisted</b>				
Certificates of deposit	UK	1	2	1
Term deposits:	UK	47	47	70
	Overseas	32	29	74
Other deposits:	UK	24	4	61
	Overseas	381	107	416
		485	189	622
<b>Total short-term investments</b>		<b>622</b>	<b>570</b>	<b>1,019</b>



## 20 Creditors: Amounts falling due within one year

	2003 £m	2002 £m	2001 £m
Trade creditors	95	103	142
Accruals	446	519	556
Instinet counterparty creditors	389	545	709
Deferred income	29	57	68
Amounts owed to joint ventures and associates	29	86	118
Other creditors	33	37	66
Other taxation and social security	40	65	49
	<b>1,061</b>	<b>1,412</b>	<b>1,708</b>
Bank overdrafts	29	19	86
Bank loans	1	11	7
Other borrowings	335	411	588
Current UK corporation and overseas taxation	254	259	234
Proposed dividend	86	86	86
	<b>1,766</b>	<b>2,198</b>	<b>2,709</b>
Current UK corporation and overseas taxation comprises:			
UK corporation tax	170	125	102
Overseas taxes	84	134	132
	<b>254</b>	<b>259</b>	<b>234</b>

## 21 Creditors: Amounts falling due after more than one year

	2003 £m	2002 £m	2001 £m
Term notes and commercial paper	406	353	337
Bank borrowings	–	–	1
Accruals	19	–	2
Amounts owed to joint ventures	–	1	4
	<b>425</b>	<b>354</b>	<b>344</b>

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 70% of its subscribers are financial institutions, 16% are corporations in other sectors of the business community, 6% are from the news media and 8% are government institutions and individuals worldwide (2002: 68%, 19%, 6% and 7% respectively).

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 2003.

## 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 32 defined contribution plans covering approximately 66% of its employees, of which the largest plans are, the Reuters Pension Fund, the Reuters Retirement Plan and the Reuters 401(k) 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	11.7%	9.525%
Reuters Retirement Plan	14.2%	7.0%
Reuters 401(k) Pension Plans	19.8%	6.0%

### Defined benefit plans

The Group also operates 33 defined benefit plans covering approximately 18% of employees. Individually, these plans are of a relatively minor nature. The 15 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 2003. 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.

# Notes on the consolidated balance sheet continued

## 23 Pensions and similar obligations continued

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 2003 were £2 million, £5 million, £3 million and £2 million respectively (2002: £6 million, £4 million, £3 million and £1 million respectively). Details of the SSAP 24 valuation results in respect of these plans are given below.

	UK SPS	Switzerland	Japan	Hong Kong
% of employees covered	0.3%	3.9%	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)	33	57	14	13
Present value of past service liabilities (£m)	43	70	22	15

### Post-retirement medical benefits

In the US, the Group closed its post-retirement medical plan with effect from 1 July 2002. A total of 232 employees, retirees and covered spouses retain entitlement to post-retirement medical benefit which remain unfunded. The principal assumptions used in the most recent actuarial valuation undertaken at 1 January 2003 were a discount rate of 8% and that the growth in health care costs would decrease from 10% per annum per head in 2003 to 6% by 2007 and remain at 5% thereafter.

### Movement on pension provisions and similar obligations

	2003 £m	2002 £m	2001 £m
Opening balance	<b>59</b>	58	50
Profit and loss account (see note 2):			
Defined contribution plans	<b>35</b>	47	40
Defined benefit plans	<b>18</b>	18	18
Post-retirement medical benefits	<b>(3)</b>	–	5
	<b>50</b>	65	63
Utilised in the year	<b>(46)</b>	(64)	(55)
<b>Closing balance</b>	<b>63</b>	59	58

### FRS 17: 3rd year transitional disclosures

#### Composition of the schemes

Full actuarial valuations were carried out as at various dates between 31 December 2001 and 31 December 2002, and updated to 31 December 2003 by independent qualified actuaries in accordance with FRS 17. The major assumptions used by the actuary at 31 December 2003 were:

	UK plans			Overseas plans			Post-retirement medical benefits		
	2003 %	2002 %	2001 %	2003 %	2002 %	2001 %	2003 %	2002 %	2001 %
Discount rate	<b>5.50%</b>	5.50%	5.75%	<b>4.03%</b>	4.10%	4.99%	<b>6.25%</b>	6.75%	7.25%
Inflation assumption	<b>2.50%</b>	2.25%	2.50%	<b>1.44%</b>	1.52%	1.79%	<b>2.00%</b>	2.00%	2.00%
Rate of increase in salaries	<b>3.75%</b>	4.00%	4.25%	<b>2.55%</b>	3.06%	3.42%	–	–	–
Rate of increase in pensions in payment	<b>2.50%</b>	2.25%	2.50%	<b>1.42%</b>	1.69%	1.72%	–	–	–

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

##### Expected rate of return on assets

	2003 %	2002 %	2001 %	2003 %	2002 %	2001 %	2003 %	2002 %	2001 %
Equities	<b>8.25%</b>	8.25%	8.25%	<b>7.23%</b>	7.60%	7.53%	–	–	–
Bonds	<b>5.00%</b>	5.00%	5.75%	<b>3.76%</b>	3.86%	4.16%	–	–	–
Property	<b>6.67%</b>	6.60%	7.00%	–	–	–	–	–	–

Cash	<b>3.75%</b>	3.50%	3.50%	<b>2.83%</b>	2.65%	2.65%	-	-	-
Other	-	-	-	<b>4.77%</b>	5.25%	6.00%	-	-	-
<hr/>									
<b>Market value (£m)</b>									
Equities	<b>23</b>	19	21	<b>60</b>	50	59	-	-	-
Bonds	<b>11</b>	7	6	<b>43</b>	40	41	-	-	-
Property	<b>1</b>	1	-	<b>-</b>	-	-	-	-	-
Cash	<b>2</b>	6	9	<b>6</b>	3	4	-	-	-
Other	-	-	-	<b>7</b>	4	4	-	-	-
<hr/>									

## 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		
	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m
Total market value of assets	37	33	36	116	97	108	–	–	–	153	130	144
Present value of scheme liabilities	(57)	(63)	(56)	(140)	(132)	(100)	(5)	(6)	(31)	(202)	(201)	(187)
(Deficit)/surplus in the scheme	(20)	(30)	(20)	(24)	(35)	8	(5)	(6)	(31)	(49)	(71)	(43)
Related deferred tax asset	6	9	6	8	10	–	2	2	12	16	21	18
Net pension (liability)/asset	(14)	(21)	(14)	(16)	(25)	8	(3)	(4)	(19)	(33)	(50)	(25)
Made up of:												
Net pension asset	–	–	–	–	–	13	–	–	–	–	–	13
Net pension liability	(14)	(21)	(14)	(16)	(25)	(5)	(3)	(4)	(19)	(33)	(50)	(38)

The assets and liabilities reported under UK plans cover a small UK scheme with 180 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:

	2003 £m	2002 £m	2001 £m
Net assets per consolidated balance sheet	481	727	1,273
Add: net pension liability already recognised in net assets	30	24	24
Net assets before impact of FRS 17	511	751	1,297
Net pension liability under FRS 17	(33)	(50)	(25)
Net assets after impact of FRS 17	478	701	1,272
Consolidated profit and loss account reserve	1,553	1,763	2,378
Add: net pension liability already recognised in profit and loss account reserve	30	24	24
Profit and loss account reserve before impact of FRS 17	1,583	1,787	2,402
Net pension liability under FRS 17	(33)	(50)	(25)
Profit and loss account reserve after impact of FRS 17	1,550	1,737	2,377

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

	2003				2002			
	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
<b>Analysis of amount charged to operating profit</b>								
Current service cost	1	11	–	12	2	9	2	13
Past service cost	–	1	–	1	–	–	(29)	(29)
Curtailments/settlements	–	–	–	–	5	(1)	–	4
Total operating charge	1	12	–	13	7	8	(27)	(12)
<b>Analysis of amount credited to other finance income</b>								
Expected return on pension scheme assets	2	6	–	8	2	7	–	9
Interest on pension scheme liabilities	(3)	(5)	–	(8)	(3)	(5)	(1)	(9)
Net return	(1)	1	–	–	(1)	2	(1)	–



# Notes on the consolidated balance sheet continued

## 23 Pensions and similar obligations continued

	2003				2002			
	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
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b>								
Actual return less expected return on pension scheme assets	2	10	–	12	(9)	(17)	–	(26)
Experience gains/(losses) arising on the scheme liabilities	8	(2)	1	7	–	(9)	(3)	(12)
Changes in assumptions underlying the present value of the scheme liabilities	(1)	5	–	4	–	(20)	–	(20)
Actuarial gain/(loss) recognised in the STRGL	9	13	1	23	(9)	(46)	(3)	(58)
<b>Movement in (deficit)/surplus during the year</b>								
(Deficit)/surplus in the scheme at beginning of the year	(30)	(35)	(6)	(71)	(20)	8	(31)	(43)
Movement in year:								
Current service cost	(1)	(11)	–	(12)	(2)	(9)	(2)	(13)
Employer contributions	3	10	–	13	7	10	–	17
Curtailements/settlements	–	–	–	–	(5)	1	–	(4)
Past service costs	–	(1)	–	(1)	–	–	29	29
Other finance income	(1)	1	–	–	(1)	2	(1)	–
Actuarial loss recognised in the STRGL	9	13	1	23	(9)	(46)	(3)	(58)
Effect of currency translation	–	(1)	–	(1)	–	(1)	2	1
Deficit in scheme at end of year	(20)	(24)	(5)	(49)	(30)	(35)	(6)	(71)
<b>History of experience gains and losses</b>								
<b>Difference between the expected and actual return on scheme assets</b>								
Amount (£m)	2	10	–	12	(9)	(17)	–	(26)
Percentage of scheme assets at period end	5.4%	8.6%	–	7.8%	27.8%	17.9%	–	20.4%
<b>Experience gains and losses of scheme liabilities</b>								
Amount (£m)	8	(2)	1	7	–	(9)	(3)	(12)
Percentage of the present value of the scheme liabilities at period end	14.1%	1.4%	20.0%	3.4%	–	5.4%	46.3%	5.7%
<b>Total amount recognised in the STRGL</b>								
Amount (£m)	9	12	1	22	(9)	(47)	(1)	(57)
Percentage of the present value of the scheme liabilities at period end	15.8%	8.6%	20.0%	10.9%	14.8%	35.1%	27.9%	28.3%

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.

Contributions to funded plans in 2004 are expected to remain at similar levels to 2003.

## 24 Deferred taxation liabilities/(assets)

	2003 £m	2002 £m	2001 £m
Opening balance	(233)	(154)	(103)
Balance sheet reclassification	13	–	(1)
Profit and loss account	(20)	(79)	(50)
Closing balance	(240)	(233)	(154)

The closing balance is analysed below:

Timing differences:			
Fixed asset related	(41)	(39)	(40)
Tax losses	(52)	(55)	(32)
Other	(147)	(139)	(82)
	(240)	(233)	(154)

Reuters Group has only 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. Reuters Group does not expect to remit any earnings from its overseas subsidiary undertakings, joint ventures and associates in the foreseeable future and therefore no tax is expected to be payable.

	Assets £m	Valuation allowance £m	Liabilities £m	Net £m
<b>Total timing differences at 31 December 2003</b>				
Fixed asset related	(74)	16	17	(41)
Tax losses	(155)	103	–	(52)
Other	(163)	–	16	(147)
	(392)	119	33	(240)

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.

Similarly, the valuation allowance of £103 million in respect of losses is made where it is uncertain that suitable taxable income will arise. It has increased by £59 million in 2003.

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

Reuters has not recognised the tax benefit of capital losses arising in the period.

Where appropriate, deferred tax assets and liabilities are shown net for balance sheet presentation purposes. The net closing deferred tax balance has been analysed as:

	2003 £m	2002 £m	2001 £m
Deferred tax asset:			
Amounts falling due within one year	(143)	(113)	(86)
Amounts falling due after more than one year	(130)	(147)	(98)
	(273)	(260)	(184)
Deferred tax liability (included in provisions for liabilities and charges)	33	27	30

# Notes on the consolidated balance sheet continued

## 25 Other provisions

The movement in other provisions during 2003 was as follows:

	Rationalisation £m	Legal/ compliance £m	Other property £m	Other £m	Total £m
31 December 2002	144	1	8	6	159
Translation differences	(8)	–	(1)	–	(9)
Charged against profit	181	–	4	6	191
Utilised in the year	(133)	–	(9)	(3)	(145)
Amortisation of discount	–	–	1	–	1
Released	(19)	–	(1)	(2)	(22)
<b>31 December 2003</b>	<b>165</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>175</b>

At the end of 2002, the rationalisation provision included costs relating to the unfinished business transformation plan. During 2003, further restructuring programmes including Reuters Fast Forward programme and Instinet Group's restructuring programme were announced which included headcount reduction and property rationalisation. The obligations associated with these programmes are included in the rationalisation provision at the end of 2003. Severance-related provisions will be utilised during 2004 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.

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 2000	357	1	71	(1,717)	2,441	1,153
Shares issued during the year	1	–	18	–	(3)	16
Unrealised gain on deemed partial disposal of subsidiary undertaking	–	–	–	–	11	11
Translation differences	–	–	–	–	23	23
Loss for the year	–	–	–	–	(94)	(94)
31 December 2001	358	1	89	(1,717)	2,378	1,109
Shares issued during the year	–	–	2	–	–	2
Unrealised gain 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
Translation differences	–	–	–	–	(95)	(95)
Loss for the year	–	–	–	–	(543)	(543)
31 December 2002	358	1	91	(1,717)	1,763	496
Translation differences	–	–	–	–	(113)	(113)
Loss for the year	–	–	–	–	(97)	(97)
<b>31 December 2003</b>	<b>358</b>	<b>1</b>	<b>91</b>	<b>(1,717)</b>	<b>1,553</b>	<b>286</b>

During 2003, £nil million (2002: £2 million, 2001: £16 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 2003 totalled £163 million (2002: cumulative losses £50 million, 2001: cumulative gains £45 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. Under UK GAAP, no restatement of earnings per share was deemed necessary as the cash payment was considered to be equivalent to a repurchase of shares at market value. Under US GAAP, the transaction was deemed a share consolidation combined with a special dividend. Accordingly, earnings per share and per ADS and dividends per share and per ADS were retrospectively restated in Reuters Group's US GAAP disclosures.



## 27 Share capital

	2003 £m	2002 £m	2001 £m
<b>Authorised</b>			
One Founders Share of £1	–	–	–
2,100 million ordinary shares of 25 pence each	<b>525</b>	525	525
	<b>525</b>	525	525
<b>Allotted, called-up and fully paid</b>			
One Founders Share of £1	–	–	–
Ordinary shares of 25 pence each	<b>358</b>	358	358
	<b>358</b>	358	358
Number of ordinary shares of 25 pence each (millions)	<b>1,432.5</b>	1,432.5	1,432.1
<b>Shares allotted during the year in millions</b>			
	<b>2003</b>	2002	2001
17,650 shares in Reuters Group PLC were issued for cash under employee share schemes at prices ranging from 90p to 135p per share	–	0.4	3.0

The rights attaching to the Founders Share are set out on page 85.

## 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, 104 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 2003 was as follows:

	Save-as-you-earn plans	Discretionary employee and executive plans	Plan 2000	Total	Weighted average exercise price £
<b>Ordinary shares under option in millions (including ADSs):</b>					
31 December 2000	11.2	0.4	20.9	32.5	5.99
Granted	2.3	7.4	–	9.7	8.56
Exercised	(2.0)	(0.1)	(0.9)	(3.0)	5.10
Expired, cancelled or lapsed	(1.1)	–	–	(1.1)	7.98
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
<b>31 December 2003</b>	<b>30.2</b>	<b>56.4</b>	<b>14.1</b>	<b>100.7</b>	<b>3.24</b>
Number of participants at 31 December 2003	<b>8,170</b>	<b>7,378</b>	<b>7,046</b>		

The following table summarises information relating to the number of shares under option and those which were exercisable at 31 December 2003.

	Total shares under option (million)	Weighted average period remaining to full vesting (months)	Weighted average exercise price	Options exercisable at 31 December 2003 (million)	Exercisable weighted average exercise price
<b>Range of exercise prices</b>					
Ordinary shares (£)					
0.01-2.00	34.6	25	£1.05	–	–
2.01-5.00	30.5	23	£2.74	5.4	£2.71
5.01-7.00	23.3	14	£5.57	16.0	£5.57

7.01-9.00	7.7	11	£8.53	4.2	£8.48
9.01-11.00	0.6	12	£9.75	0.2	£9.71
ADs (US\$)					
10.01-30.00	4.0	27	US\$11.03	-	-
	100.7			25.8	

# Notes on the consolidated balance sheet continued

## 28 Employee share option plans continued

In August 1990 and January 1994, Reuters established ESOTs with the power to acquire shares in the open market. The trustee of both trusts is an offshore independent professional trustee. Shares purchased by the trusts, which are included within fixed asset investments 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 18-19 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 UITF 17 '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 2002 £m	Services provided/ (received) £m	Amounts (collected)/ paid £m	31 December 2003 £m
<b>Amounts receivable</b>				
Radianz	70	82	(137)	15
Factiva	9	47	(52)	4
Other	2	3	(3)	2
	81	132	(192)	21
<b>Amounts payable</b>				
Radianz	(73)	(304)	355	(22)
Factiva	(8)	(7)	15	-
Other	(5)	(47)	46	(6)
	(86)	(358)	416	(28)

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 the Reuters Building at 3 Times Square, together with transactions with TSI.

In addition to the above amounts Reuters has a promissory note payable to Factiva with a balance of £1 million outstanding at the year end (2002: £4 million).

Reuters also holds an interest bearing loan repayable to Factiva of £5 million (2002: £7 million). The convertible loan note due from Icor was increased to £8 million at the beginning of 2003, and at the balance sheet date was fully written down based on directors' valuation.

## 30 Operating leases and other financial commitments

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

	2003 £m	2002 £m	2001 £m
<b>Year ended 31 December</b>			
2002	-	-	102
2003	-	91	90
2004	97	81	77
2005	83	68	64
2006	73	62	57
2007	63	57	50
2008	54	47	46
Thereafter	327	329	289
<b>Total minimum lease payments</b>	<b>697</b>	<b>735</b>	<b>775</b>

### 30 Operating leases and other financial commitments continued

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		
	2003 £m	2002 £m	2001 £m	2003 £m	2002 £m	2001 £m
Operating leases which expire:						
Within one year	7	11	11	2	2	4
In the second to fifth years	43	37	48	6	4	5
Over five years	48	50	49	–	–	–

#### Other financial commitments

At 31 December 2003, Reuters had a minimum commitment of £73 million (2002: £152 million, 2001: £252 million) under a service level agreement with Savvis for the provision of a network delivery mechanism for the Bridge assets acquired during 2001. This commitment expires in September 2006.

At 31 December 2003, under a licence, distribution and maintenance agreement with TSI, Reuters had a minimum commitment of £14 million (2002: £17 million, 2001: £28 million) due to expire in February 2005.

### 31 Acquisitions and disposals

On 28 March 2003, Reuters acquired a further 94% of Multex to take the Group's holding to 100%.

	Book value £m	Fair value adjustments £m	Accounting policy adjustments £m	Total £m
Fixed assets:				
Intangible	9	15	–	24
Tangible	19	(10)	(2)	7
Investments	3	(2)	–	1
Current assets:				
Cash <sup>1</sup>	32	–	–	32
Other	19	–	(3)	16
Current liabilities	(16)	2	–	(14)
Long-term liabilities	(3)	–	–	(3)
Net assets acquired	63	5	(5)	63
Cash consideration				(155)
Cost of initial investment				(4)
Consideration satisfied by the transfer of shares				(3)
Total consideration				(162)
Goodwill				99

<sup>1</sup>Cash acquired includes Multex's share of the cash balances of Multex Investor Europe and Multex Investor Japan at 28 March 2003.

The fair value adjustments in respect of intangible fixed assets are due to the recognition of £15 million of developed product technology and content, which have been independently valued. The fair value adjustments to tangible fixed assets, investments, current assets and current liabilities are provisional, based on management's best estimates, and will be finalised in the 2004 financial statements.

Of the total consideration, £3 million will be satisfied by the transfer of shares from Reuters ESOT and will be settled during 2004.

Included within the Group profit and loss account are revenues of £32 million in respect of the Multex post-acquisition results.

Prior to becoming subsidiary undertakings, Multex Investor Europe and Multex Investor Japan were joint ventures and accounted for as such. In accordance with FRS 2 'Accounting for Subsidiary Undertakings', and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on the initial and subsequent purchase of shares in these entities, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between the fair value of the consideration and net assets acquired on the date that they became subsidiary undertakings. The statutory method would not give a true and fair view because it would result in the Group's share of these entities' retained reserves, during the period that they were joint ventures being recharacterised as goodwill. The effect of this departure is to decrease retained profits by £24 million, and to decrease purchased goodwill by £24 million.

#### Disposals

In 2003, Reuters disposed of a number of small wholly owned subsidiary undertakings including Wall Street On Demand and Agence de Presse Médicale. These disposals resulted in a net profit of £3 million.

During the year, Reuters disposed of certain equity investments including its 20% holding in Datamonitor resulting in a gain of £11 million. The exercise of stock options during 2003 gave rise to a deemed partial disposal of 1.0% of Reuters equity interest in TSI. As a result, Reuters recorded a loss on disposal of fixed asset investments of £1 million.

Gains on the disposal of fixed asset investments include £4 million arising from Reuters investment in Informa and £1 million for Reuters share of investments disposed of by associates.

# Notes on the consolidated balance sheet continued

## 31 Acquisitions and disposals continued

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

Reconciliation of gains	£m
On disposal of subsidiary undertaking	3
On disposal of associates and joint ventures	10
On disposal of fixed asset investments	6
Recorded in the profit and loss account	19

## 32 Subsidiary undertakings, joint ventures and associates

The principal subsidiary undertakings, joint ventures and associates at 31 December 2003, all of which are included in the consolidated financial statements, are shown below. The shares in Reuters Holdings Limited and Reuters Finance PLC are held by Reuters Group PLC. The shares in the other companies are held by Reuters Holdings Limited, or its wholly-owned subsidiaries.

### 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	63
Reuters AG	Germany	Germany	100
Reuters America LLC	USA	USA	100
Reuters Australia Pty Limited	Australia	Australia	100
Reuters Canada Limited	Canada	Canada/USA	100
Reuters España SA	Spain	Spain	100
Reuters Finance PLC*	UK	UK	100
Reuters Holdings Limited*	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*	Netherlands	Netherlands	100
Reuters SA	Switzerland	Continental Europe	100
Reuters Services SA	France	France	100
Reuters Singapore Pte Limited	Singapore	Singapore	100
Reuters Transaction Services Limited	UK	Worldwide	100

\* Denotes investment companies. All others are operating companies.

### Joint ventures and associates

	Country of incorporation	Principal area of operation	Percentage of equity shares held
TIBCO Software Inc. (see note 33)	USA	Worldwide	48
Factiva LLC (joint venture)	USA	Worldwide	50
Radianz Limited (joint venture)	UK	Worldwide	51

On a diluted basis, after deducting shares under option, Reuters Group's interest in the equity of TSI was reduced to 39%. See page 8 for the nature of the business of the above joint ventures and associates.

The financial years for all the above undertakings end on 31 December except for TSI which has a 30 November year end.

## 33 Post balance sheet events

On 23 January 2004, Reuters entered into a sale and leaseback arrangement in respect of its freehold data centre in Hazelwood, Missouri. The lease term is 20 years. Proceeds from the sale were £23 million.

On 28 January 2004, Reuters sold the freeholds of its current headquarters at 85 Fleet Street and the St. Brides building for approximately £30 million. 85 Fleet Street will be the subject of a short leaseback until Reuters moves to leasehold premises at Canary Wharf in 2005. A charge of £17 million was booked against profits in 2003 in anticipation of losses arising from the disposal of these two properties.

On 3 February 2004, Reuters concluded the sale of 86 million shares in TSI. Total proceeds were approximately £311 million and the net profit on disposal was approximately £155 million. Following the sale, Reuters holding was 17 million shares or 8.8% of TSI's common stock and as a result Reuters will no longer account for TSI as an associate.

On 19 February 2004, Reuters sold its 98% holding in Tower Group Holding Corp for a profit of approximately £6 million.

No tax is expected to arise on any of the above transactions.

# Balance sheet of Reuters Group PLC

at 31 December

	Notes	2003 £m	2002 £m	2001 £m
Fixed asset investment	34	5,246	2,672	8,681
<b>Current assets</b>				
Amounts owed by Group undertakings		–	1,861	1,868
<b>Current liabilities</b>				
Amounts owed to Group undertakings		(2,499)	(1,227)	(866)
Other borrowings		(139)	(411)	(604)
Proposed dividends		(86)	(86)	(86)
<b>Net current (liabilities)/assets</b>		<b>(2,724)</b>	137	312
Total assets less current liabilities		2,522	2,809	8,993
Other borrowings due after more than one year		(228)	(352)	(337)
<b>Net assets</b>		<b>2,294</b>	2,457	8,656
Capital and reserves	35			
Called-up share capital		358	358	358
Capital redemption reserve		1	1	1
Share premium account		91	91	89
Merger reserve		–	–	6,788
Other reserves		699	699	–
Profit and loss account reserve		1,145	1,308	1,420
<b>Capital employed</b>		<b>2,294</b>	2,457	8,656
(Loss)/profit attributable to ordinary shareholders		(23)	27	34

This balance sheet was approved by the directors on 3 March 2004.

**Tom Glocer**  
Chief Executive

**David Grigson**  
Finance Director

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.

## Notes on the balance sheet of Reuters Group PLC

### 34 Fixed asset investment

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

### 35 Capital and reserves

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	Other reserves £m	Profit and loss account reserve £m	Total £m
31 December 2002	358	1	91	699	1,308	2,457
Loss for the year	–	–	–	–	(163)	(163)
<b>31 December 2003</b>	<b>358</b>	<b>1</b>	<b>91</b>	<b>699</b>	<b>1,145</b>	<b>2,294</b>

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 dividends paid to shareholders.

# Accounting policies

## Accounting basis

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The acquisition of the remaining equity interests in Multex Investor Europe and Multex Investor Japan in 2003 have been accounted for in accordance with FRS 2 'Accounting for Subsidiary Undertakings' which represents a departure from the requirements of the Companies Act 1985 (see note 31).

## Basis of consolidation

The consolidated financial statements include:

- a 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.
- b Reuters Group's share of the post-acquisition results of associated undertakings and joint ventures. Investments in associated undertakings and joint ventures are included at Reuters 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 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.

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 counterparties which pass through Instinet 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:

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

## Stocks and contract work in progress

Stocks 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.

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 within fixed asset investments at cost including expenses less amounts written off.

### **Fixed asset investments**

Fixed asset investments are held at cost net of permanent diminution in values as assessed by the directors.

# Summary of differences between UK and US

## Generally Accepted Accounting Principles (GAAP)

### Accounting Principles

These consolidated financial statements have been prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. 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 adjustment in the current year arises from the release of revenue deferred in prior years. No revenue has been deferred for the purposes of US GAAP.

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 the revenues and operating costs (2003: £169 million, 2002: £192 million, 2001: £168 million). There is no difference in net income as a result of the classification.

Under UK GAAP, net interest income is classified below operating activities in the profit and loss account. Under US GAAP, interest income arising on cash provided as security on stock borrowing transactions related to Instinet's clearing business, interest on fixed income securities and on cash balances is recorded in revenue (2003: £6 million, 2002: £13 million, 2001: £14 million).

#### b Software and website development costs

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.

#### 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 are 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 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, resulting in greater losses on disposal of subsidiary undertakings.

#### f Loss/gain on sale of fixed asset investments

Under UK GAAP, gains on the sale of fixed asset investments for non-cash consideration are recorded in the statement of total recognised gains and losses. Under US GAAP, these gains are recorded in the income statement.

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 comprehensive income. Under US GAAP, broker-dealer fixed asset investments are stated at fair value with unrealised gains or loss included in the income statement.

#### g 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 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 goodwill with the higher of the net realisable value and the value in use.

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, Reuters 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.

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.



## Accounting Principles continued

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

Under UK GAAP, the compensation charge relating to certain stock based long-term incentive plans is based on the original cost of shares held in the ESOT less impairments. Under US GAAP, the compensation charge is based on the value of the awards at each balance sheet date.

Under both UK GAAP and US GAAP, the total compensation charge is adjusted to take account of the expected outcome of the performance conditions and the compensation charge is spread over the service period.

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 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 page 63.

Under UK GAAP, an accrual is made to reflect the cost of employees' unused vacation allowances only to the extent the Group is liable to settle the obligation for cash. Under US GAAP, an accrual is made for the cost of all unused vacation allowances at the point of entitlement, regardless of whether a cash payment will be required.

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 loss in joint ventures' over the remaining vesting period.

### i Restructuring

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. 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 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.

### j Derivatives

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.

### k Shares held by employee share ownership trusts (ESOTs)

Under UK GAAP, shares held by the ESOTs are recorded as fixed asset investments at cost less amounts written off and impairments. Under US GAAP, those held by the ESOT are regarded as treasury stock and recorded at cost as a deduction from shareholders' equity.

### l Interest

Under UK GAAP, liabilities recorded in respect of contingent consideration 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.

### m Taxation

Under UK GAAP, FRS 19, 'Deferred Tax', 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 impact of the other US GAAP adjustments made in the reconciliation.

### n 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.

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.

# Summary of differences between UK and US

## Generally Accepted Accounting Principles (GAAP) continued

### Cash flow statement

The cash flow statement set out on pages 49-54 has been prepared in conformity with UK FRS 1 (Revised) Cash Flow Statements. The principal differences between this statement and cash flow statements presented in accordance with FAS 95 are as follows:

1 Under UK GAAP, net cash flow from operating activities is determined before considering cash outflows from (a) returns on investments and servicing of finance (2003: £28 million, 2002: £64 million, 2001: £7 million) and (b) dividends received from associates (2003: £3 million, 2002: £2 million, 2001: £2 million), and (c) taxes paid (2003: £33 million, 2002: £73 million, 2001: £173 million). Under US GAAP, net cash flow from operating activities is determined after these items.

2 Under UK GAAP capital expenditure, financial investments and acquisitions (2003: £10 million, 2002: £6 million, 2001: £89 million) are classified separately while under US GAAP, they are classified as investing activities.

Under UK GAAP, movements in short-term investments (2003: £99 million increase, 2002: £378 million decrease, 2001: £448 million increase) 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 (2003: £37 million decrease, 2002: £234 million decrease, 2001: £410 million increase), are included in cash and cash equivalents. Only short-term investments with a maturity of over three months (2003: £136 million increase, 2002: £144 million decrease, 2001: £38 million increase), are classified as investing activity.

3 Under UK GAAP, dividends paid (2003: £140 million, 2002: £139 million, 2001: £227 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 (2003: £nil, 2002: £65 million, 2001: £48 million) is classified as investing activities whereas under US GAAP, this is classified as financing activities.

Under UK GAAP, cash outflows relating to the movement in bank overdrafts (2003: £11 million, 2002: £63 million, 2001: £16 million) are classified as movements in cash while under US GAAP, they are classified as a financing activity.

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

	Notes	2003 £m	2002 £m	2001 £m
Net cash inflow from operating activities	1	371	247	709
Net cash outflow from investing activities	2	(352)	(8)	(402)
Net cash (outflow)/inflow from financing activities	3	(142)	(450)	123
Net (decrease)/increase in cash and cash equivalents under US GAAP		(123)	(211)	430
Net (decrease)/increase in cash under UK GAAP		(97)	86	36

# Notes on summary of differences between UK and US

## Generally Accepted Accounting Principles (GAAP)

### 36 Adjustments to net income

	2003 £m	2002 £m	2001 £m
Profit/(loss) attributable to ordinary shareholders in accordance with UK GAAP	43	(404)	46
US GAAP adjustments			
a. Software revenue recognition	11	3	(8)
b. Amortisation of software and website development costs	–	(1)	(5)
c. Joint ventures and associates	24	18	22
d. Gains on deemed disposal of subsidiary undertakings and associates	–	104	11
e. Loss on disposal of subsidiary undertakings	(2)	–	–
f. (Loss)/gain on sale of fixed asset investments	(1)	–	29
g. Goodwill and other intangibles	52	(34)	2
h. Employee costs	(28)	(1)	(11)
i. Restructuring	(150)	–	–
j. Derivative instruments	(33)	(28)	4
k. Impairment of ESOT shares	3	147	–
l. Interest	1	–	–
m. Taxation			
application of FAS 109	–	–	4
tax effect of US GAAP adjustments	39	42	(5)
Minority interest in US GAAP adjustments	3	38	(2)
(Loss)/income before cumulative effect of change in accounting principle	(38)	(116)	87
Cumulative effect of change in accounting principle for FAS 142	–	(13)	–
Cumulative effect of change in accounting principle for FAS 133	–	–	7
Tax effect of change in accounting principle	–	–	(2)
Minority interest effect of change in accounting principle	–	2	–
<b>Net (loss)/income attributable to ordinary shareholders in accordance with US GAAP</b>	<b>(38)</b>	<b>(127)</b>	<b>92</b>

	2003 pence	2002 pence	2001 pence
<b>Earnings and dividends</b>			
<b>Before accounting change</b>			
Basic earnings per ADS in accordance with US GAAP	(16.3)	(49.5)	37.5
Diluted earnings per ADS in accordance with US GAAP	(16.3)	(49.5)	36.8
<b>After accounting change</b>			
Basic earnings per ADS in accordance with US GAAP	(16.3)	(54.3)	39.5
Diluted earnings per ADS in accordance with US GAAP	(16.3)	(54.3)	38.7
Dividend paid per ADS (including UK tax credit for 2001 and 2002)	60.0	66.7	108.0
Weighted average number of shares used in basic EPS calculation (millions)	1,396	1,395	1,404
Dilutive shares	18	–	28
Used in diluted EPS calculation	1,414	1,395	1,432

### 37 Adjustments to shareholders' equity

	2003 £m	2002 £m	2001 £m
Capital employed before minority interest in accordance with UK GAAP	286	496	1,109
US GAAP adjustments:			
a. Software revenue recognition	–	(11)	(14)
b. Capitalised software development costs, net of amortisation	–	–	1
c. Joint ventures and associates	(13)	(37)	(64)
f. Fixed asset investments	20	19	50
g. Goodwill and other intangibles	120	71	2
g. Contingent consideration	24	29	11

h. Employee costs	(44)	(39)	(63)
i. Restructuring	(150)	—	—
j. Derivatives	(47)	(14)	14
k. Shares held by ESOTs	(74)	(68)	(153)
m. Taxation	44	6	(18)
n. Dividends	86	86	86
Minority interest in US GAAP adjustments	(7)	(10)	(2)
<b>Shareholders' equity in accordance with US GAAP</b>	<b>245</b>	<b>528</b>	<b>959</b>

# Notes on summary of differences between UK and US

Generally Accepted Accounting Principles (GAAP) continued

## 38 Statement of comprehensive income

	2003 £m	2002 £m	2001 £m
Net (loss)/income in accordance with US GAAP	(38)	(127)	92
Other comprehensive (loss)/income, net of tax:			
Unrealised gains on certain fixed asset investments:			
arising during year	2	(21)	(109)
less amounts taken to net income, net of losses	–	3	–
Foreign currency translation differences	(119)	(95)	26
Derivative instruments:			
cumulative effect of change in accounting principle for FAS 133	–	–	(2)
less amounts taken to net income	–	–	2
Adjustments to reflect minimum pension liability	4	(4)	–
<b>Comprehensive (loss)/income in accordance with US GAAP</b>	<b>(151)</b>	<b>(244)</b>	<b>9</b>

## 39 Summarised balance sheet (US GAAP basis)

	2003 £m	2002 £m	2001 £m
<b>Assets</b>			
Fixed tangible assets	823	1,012	1,299
Current assets	1,531	1,850	2,462
Other assets	151	159	113
Goodwill and other intangibles	495	489	499
<b>Total assets</b>	<b>3,000</b>	<b>3,510</b>	<b>4,373</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities	1,985	2,167	2,628
Long-term liabilities	568	552	572
Deferred taxes	–	21	48
Minority interest	202	242	166
Shareholders' equity before deductions	490	781	1,163
Shares held by employee share ownership trusts	(245)	(253)	(204)
<b>Total shareholders' equity</b>	<b>245</b>	<b>528</b>	<b>959</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,000</b>	<b>3,510</b>	<b>4,373</b>

Goodwill and other intangibles are net of accumulated amortisation of £601 million (2002: £569 million, 2001: £551 million). Software development costs are net of accumulated amortisation of £19 million (2002: £19 million, 2001: £18 million).

Included within current assets is a deferred tax asset of £12 million (2002: £nil, 2001: £nil).

## Additional disclosures required by US GAAP

### Derivative instruments

The current year loss on derivative instruments is £33 million (2002: £28 million loss; 2001: £4 million gain). At 31 December 2002, the balance sheet includes a derivative liability of £48 million. The current year loss includes a loss of £26 million (2002: £19 million; 2001: £2 million) relating to currency forward contracts embedded within long term customer contracts.

### Recent Accounting Pronouncements

#### EITF 00-21

In January 2003, the Emerging Issues Task Force (EITF) issued EITF 00-21, 'Accounting for Revenue Arrangements with Multiple Deliverables'. EITF 00-21 addresses the issues of (1) how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting; and (2) how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EITF 00-21 does not change otherwise applicable revenue recognition criteria. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after 15 June 2003. This accounting pronouncement is not expected to have a significant impact on the Group's financial position or results of operations.

#### FIN 45

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.' FIN 45 requires a liability to be recognised at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. The provisions for initial recognition and measurement of guarantee agreements are effective on a prospective basis for guarantees that are issued or modified after 31 December 2002. Reuters has assessed the impact of FIN 45 and has identified no material guarantees issued or modified on or after 1 January 2003 requiring either provision or disclosure. The Group is in the process of assessing the impact on the financial statements of guarantees issued prior to 1 January 2003.

#### FIN 46

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46 or 'the Interpretation'), 'Consolidation of Variable Interest Entities, an interpretation of ARB 51'. FIN 46 addresses the consolidation of entities for which control is achieved through means other than through voting rights ('variable interest entities' or 'VIE') by clarifying the application of Accounting Research Bulletin No. 51, 'Consolidated Financial Statements' to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 provides guidance on how to determine when and which business enterprise (the 'primary beneficiary') should consolidate the VIE. In addition, FIN 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures.

FIN 46 was applied by Reuters Group to all VIE's created after 31 January 2003. Reuters will be required to apply FIN 46 to any VIE created before 1 February 2003 for the year ended 31 December 2004. Reuters has assessed the impact of FIN 46 in relation to VIEs created after 31 January 2003 and has identified no entities requiring consolidation under the provisions of FIN 46. The Group is in the process of identifying VIEs created prior to 31 January 2003 and is assessing the impact on the Group's financial position.

**RADIANZ LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

**Registered Number 3918478**

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**RADIANZ LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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Company Registration Number: 3918478

Registered Office: Fleet Place House  
2 Fleet Place  
London  
England  
EC4M 7RF

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**RADIANZ LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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**PricewaterhouseCoopers LLP**  
1 Embankment Place  
London WC2N 6RH

**Report of Independent Auditor**

To the Board of Directors and Shareholders of Radianz Limited

In our opinion, the accompanying consolidated profit and loss account, balance sheet and statement of recognised gains and losses present fairly, in all material respects, the financial position of Radianz Limited and its subsidiaries at 31 December 2003 and the results of their operations and their cash flows for the year ended 31 December 2003, in conformity with accounting principles generally accepted in the United Kingdom. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 audit provides a reasonable basis for our opinion.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net loss for the year ended 31 December 2003 and the determination of consolidated shareholders' equity at 31 December 2003 to the extent summarized in Note 29 to the consolidated financial statements.

*/s/ PricewaterhouseCoopers LLP*  
**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London, England  
29 June 2004

**RADIANZ LIMITED****GROUP PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2003**

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	<b>Note</b>	<b>2003</b>	2002	2001
		<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Revenue		<b>533,239</b>	493,117	423,573
Operating costs	3	<b>(620,293)</b>	(665,045)	(601,228)
<b>Operating loss</b>		<b>(87,054)</b>	(171,928)	(177,655)
Interest receivable and similar income – net	4	<b>2,585</b>	3,815	10,579
Loss on diminution in value of investment	9	-	(67,021)	(64,140)
<b>Loss on ordinary activities before taxation</b>		<b>(84,469)</b>	(235,134)	(231,216)
Taxation	6	<b>(1,564)</b>	(1,080)	(1,072)
<b>Loss on ordinary activities after taxation</b>		<b>(86,033)</b>	(236,214)	(232,288)
Preference Dividends	7	<b>(10,270)</b>	(10,270)	(10,270)
<b>Loss for the year</b>	18	<b>(96,303)</b>	(246,484)	(242,558)

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Revenue and operating loss as derive from continuing operations.

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

The associated notes on the following pages form part of these financial statements.

**RADIANZ LIMITED****GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 DECEMBER 2003**

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	<b>Note</b>	<b>2003</b>	2002	2001
		<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Loss for the financial year		<b>(96,303)</b>	(246,484)	(242,558)
Exchange adjustments	<i>18</i>	<b>6,664</b>	571	(1,463)
<b>Total recognised loss for the year</b>		<b>(89,639)</b>	(245,913)	(244,021)

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The associated notes on the pages that follow form part of these financial statements.

**RADIANZ LIMITED****GROUP BALANCE SHEET****AS AT 31 DECEMBER 2003**

	Note	2003 \$'000	2002 Unaudited \$'000
<b>Fixed assets</b>			
Tangible fixed assets	8	149,769	182,242
Investments	9	-	-
		<b>149,769</b>	<b>182,242</b>
<b>Current assets</b>			
Debtors			
- due within one year	10	89,701	200,793
- due after one year	10	41,793	51,249
Restricted Cash - due after one year	11	19,259	33,050
Cash at bank and in hand		9,095	44,657
		<b>159,848</b>	<b>329,749</b>
<b>Creditors: amounts falling due within one year</b>	<b>12</b>	<b>(120,854)</b>	<b>(246,422)</b>
<b>Net current assets/(liabilities)</b>		<b>38,994</b>	<b>83,327</b>
<b>Total assets less current liabilities</b>		<b>188,763</b>	<b>265,569</b>
<b>Creditors: amounts falling due after one year</b>	<b>13</b>	<b>(3,613)</b>	<b>-</b>
<b>Provisions for liabilities and charges</b>	<b>15</b>	<b>(1,433)</b>	<b>(2,483)</b>
<b>Net assets</b>		<b>183,717</b>	<b>263,086</b>
<b>Capital and reserves</b>			
Called up share capital	16	18	18
Share premium account	17	878,425	878,425
Exchange difference reserve	17	6,211	(453)
Profit and loss account	17	(700,937)	(614,904)
<b>Total shareholders' funds</b>	<b>18</b>	<b>183,717</b>	<b>263,086</b>
<b>Analysis of shareholders' funds</b>			
Equity	18	(4,908)	84,731
Non-equity	18	188,625	178,355
		<b>183,717</b>	<b>263,086</b>

The associated notes on the following pages form part of these financial statements. The financial statements and associated notes were approved by the Board of Directors on 29 June 2004 and were signed on its behalf by:

/s/ Howard Edelstein  
Howard Edelstein  
Director

/s/ David Granger Ure  
David Granger Ure  
Chairman



**RADIANZ LIMITED****GROUP CASH FLOW STATEMENT**

	<b>Note</b>	<b>2003</b>	2002	2001
		<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
<b>Net cash inflow / (outflow) from operating activities</b>	<i>19</i>	<b>6,228</b>	(11,116)	(780)
<b>Returns on investment and servicing of finance</b>				
Interest received from bank deposits, investment and others		<b>607</b>	2,583	12,210
Interest paid		<b>(170)</b>	(24)	(24)
Interest paid on finance leases		<b>(191)</b>	-	-
<b>Taxation</b>		<b>(2,092)</b>	38	(555)
<b>Capital expenditure and financial investment</b>				
Purchase of own shares		-	-	(46,261)
Purchase of tangible fixed assets		<b>(38,624)</b>	(98,730)	(109,416)
Sale of tangible fixed assets		<b>15</b>	128	230
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(38,609)</b>	(98,602)	(155,447)
<b>Management of liquid resources</b>				
Decrease in short term deposits with banks	<i>20</i>	-	140,042	90,725
<b>Financing</b>				
Issue of ordinary share capital		-	-	46,261
Decrease in finance leasing		<b>(953)</b>	-	-
<b>Net cash (outflow)/ inflow from financing</b>		<b>(953)</b>	-	46,261
<b>(Decrease) / Increase in cash</b>		<b>(35,180)</b>	32,921	(7,610)

The associated notes on the following pages form part of these financial statements.

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Principal activities and accounting policies**

Radianz Limited (the "Company") and its subsidiaries (collectively "Radianz" or "Group") is a joint venture between Reuters Group PLC ("Reuters") and Equant Finance BV ("Equant")(collectively the parents ("Parents")).

Radianz is owned 51% by Reuters and 49% by 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 the Radianz is joint with Reuters and Equant each having equal representation on the board of directors.

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

These financial statements are prepared under the historical cost convention.

The Parent Companies have stated their intent to continue supporting the Company in accordance with the terms of the shareholders agreement relating to the Company and accordingly each has agreed to provide financial support of up to fifteen million dollars to the Company, for at least one year from the date of these financial statements or, if shorter, for the period until that parent company ceases to be a shareholder in the Company, sufficient to enable the Company and its subsidiaries to meet their financial obligations as and when they fall due either through capital contributions, the provision of loan funding or other appropriate measures. The Company believes these amounts are adequate to enable it to meet all its financial obligations for the period noted above.

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

**Changes in accounting policies**

There have been no changes in accounting policies for the year ended 31 December 2003.

**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 2003. 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.

**Revenue**

Radianz recognises revenue when realised or realisable and earned. The Group considers revenue 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. Revenue is reduced for credit notes and rebates to be paid to customers. In addition to the aforementioned general policy, the following are the specific revenue recognition policies for the Group's significant categories of revenue.

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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***Related-Party Revenue***

*Managed Network Services*

Radianz entered into a Network Service Agreement (“NSA”) with Reuters and its affiliates that require 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 revenue.

*Radianz Network (“RxN”) Services*

As of 1 January 2003, the NSA agreement with Reuters was amended to allow Radianz to charge for services provided via RadianzNet based on a fixed and determinable price per service type. Prior to this time, the maximum prices were established at a level, which enabled Radianz to recover direct costs incurred when providing this service.

*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 revenue only when acceptance has been received from Reuters for the services rendered. As at 31 December 2003, \$1.2 million of revenue subject to acceptance was deferred from Reuters and \$1.2 million of related costs were deferred. As at 31 December 2002, \$1.9 million of revenue and \$1.7 million of cost had been deferred.

*Remote Dial-up Services*

Remote dial-up services are provided to Reuters directly by Equant. Group 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, revenue for these transactions is recognised on a net basis thereby recognising only the commission as revenue. The value of the services provided to Reuters for the year ended 31 December 2003 was approximately \$1.4 million (2002: \$1.0 million) on a gross basis.

*Migration Services*

During 2002 and 2003, Radianz migrated certain Reuters’ customers from Reuters’ legacy networks to RadianzNet. Radianz is entitled to recover all direct costs incurred in completing the migration services. Radianz recognised revenue monthly based on completed connections at a fixed and determinable price per connection.

***External Customer Revenue***

*Radianz Network (“RxN”) Services*

Revenue 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. Connection fees are deferred and recognized over the estimated life of the arrangement with the customer, which is generally the contractual period. Revenue from access and usage fees is recognized as the services are provided over the anticipated customer relationship period, which is generally determined based on the life of the contract.

If customers are billed in advance or on a quarterly basis under the terms of the arrangement with Radianz, Radianz defers revenue accordingly until the services are delivered. As at 31 December 2003, Radianz had approximately \$3.4 million (2002: \$1.6 million) of deferred revenue relating to advance customer billings.

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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*Voice Services*

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

*Hosting Services*

Revenue 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 deferred and recognised over the estimated life of the arrangement with the customer, which is generally the contractual period.

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.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries which have currencies of operation other than the US dollar are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end.

**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.

Revenue 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 expected cost of pensions in respect of defined benefit plans is charged to the profit and loss account so as to spread the cost over the service lives of the employees affected. The cost in respect of defined contribution plans is charged to the profit and loss account as the amount accrues.

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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The pension costs and disclosures in these financial statements comply with Financial Reporting Standard (“FRS”) 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.

**Development expenditure**

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

**Short-term investments**

Bank deposits, which are not re-payable on demand, are treated as short-term investments in accordance with Financial Reporting Standard No. 1 (revised 1996). Movements in such investments are included under “management of liquid resources” in the Group’s cash flow statement.

**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**

The Group has adopted Financial Reporting Standard No. 19 “Deferred Tax” which requires full provision to be made for deferred tax assets and 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. The adoption of this accounting standard had no impact on the results of the Group.

**Share schemes**

The Group’s Employee Share Ownership Trust (“ESOT”) is a separately administered trust, which is funded by loans from the Group. The assets of the ESOT comprise shares in the Company, which were initially recorded at their estimated recoverable amount, being the stock option price of the shares payable by employees. Provision is made to the extent that the amounts are not expected to be recovered. The ESOT has been aggregated within these financial statements.

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Segmental analysis

**Turnover**

Radianz has network operations in many countries throughout the world. For the purpose of segmental disclosure, revenue by origin is defined as the location where invoices are issued, while revenue by destination is defined as the location of the customer. For the year ended 31 December 2002 there was no material difference between the origin and destination of revenue. However during 2003 changes in billing arrangements resulted in the United Kingdom ("UK") billing throughout the world. Revenue by destination is therefore shown separately.

**Turnover**

2003	by Origin			by Destination		
	Total	Inter-segment	External	Total	Inter-segment	External
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United Kingdom	387,138	(1,277)	385,861	550,768	(188,747)	362,021
United States	212,264	(115,076)	97,188	112,534	(748)	111,786
Rest of the World	123,861	(73,671)	50,190	59,961	(529)	59,432
	<b>723,263</b>	<b>(190,024)</b>	<b>533,239</b>	<b>723,263</b>	<b>(190,024)</b>	<b>533,239</b>
	by Origin			by Destination		
2002 Unaudited	Total	Inter-segment	External	Total	Inter-segment	External
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	United Kingdom	377,670	(6,749)	370,921	564,850	(193,929)
United States	205,410	(126,341)	79,069	84,357	(5,288)	79,069
Rest of the World	110,714	(67,587)	43,127	44,587	(1,460)	43,127
	<b>693,794</b>	<b>(200,677)</b>	<b>493,117</b>	<b>693,794</b>	<b>(200,677)</b>	<b>493,117</b>
	by Origin			by Destination		
2001 Unaudited	Total	Inter-segment	External	Total	Inter-segment	External
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	United Kingdom	324,050	(2,162)	321,888	489,018	(167,130)
United States	171,685	(109,697)	61,988	63,605	(1,617)	61,988
Rest of the World	97,130	(57,433)	39,697	40,242	(545)	39,697
	<b>592,865</b>	<b>(169,292)</b>	<b>423,573</b>	<b>592,865</b>	<b>(169,292)</b>	<b>423,573</b>

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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<b>Operating loss</b>	<b>2003</b>	2002	2001
		Unaudited	Unaudited
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
United Kingdom	<b>(69,987)</b>	(171,405)	(158,355)
United States	<b>(21,764)</b>	(4,466)	(14,021)
Rest of the World	<b>4,697</b>	3,943	(5,279)
	<b>(87,054)</b>	(171,928)	(177,655)
Net Interest / Interest Bearing Assets	<b>2,585</b>	3,815	10,579
	<b>(84,469)</b>	(168,113)	(167,076)

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<b>Net Operating assets</b>	<b>2003</b>	2002	2001
		Unaudited	Unaudited
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
United Kingdom	<b>87,116</b>	102,231	263,092
United States	<b>68,900</b>	88,646	46,456
Rest of the World	<b>(653)</b>	(5,498)	11,382
	<b>155,363</b>	185,379	320,930
Net Interest / Interest Bearing Assets	<b>28,354</b>	77,707	177,799
	<b>183,717</b>	263,086	498,729

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The UK operating loss includes the Group goodwill amortisation expense of \$nil million (2002: \$104.3 million, 2001: \$104.3 million).

Interest bearing assets consist of restricted cash, current asset investments 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. Loss On Ordinary Activities Before Taxation**

Loss before taxation is stated after charging:

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Staff costs (note 5)	<b>113,901</b>	98,108	81,870
Depreciation of tangible assets (note 8)	<b>67,798</b>	65,051	55,055
Impairment (note 8)	<b>15,345</b>	833	-
Depreciation from related parties	<b>7,458</b>	6,610	9,033
Amortisation of goodwill	-	104,349	104,349
Loss on disposal of fixed assets	<b>146</b>	905	3,266
Operating lease rentals – land & buildings	<b>11,324</b>	10,743	4,736
Foreign currency translation – net gain	<b>(745)</b>	(57)	(4,649)
Auditors' remuneration			
Group audit fees	<b>1,352</b>	980	750
Other services	<b>940</b>	892	173
<b>Cost by function:</b>			
Operations and communications costs	<b>546,767</b>	498,007	423,518
Sales and marketing expense	<b>17,761</b>	16,947	34,061
Administration expense	<b>55,765</b>	150,091	143,649
<b>Total operating costs</b>	<b>620,293</b>	665,045	601,228

**4. Interest receivable and similar income – net**

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Interest receivable from bank deposits	<b>602</b>	2,197	9,737
Discount on receivable from parent	<b>2,367</b>	1,642	866
<b>Total interest receivable</b>	<b>2,969</b>	3,839	10,603
Interest payable on finance leases	<b>(201)</b>	-	-
Interest payable on bank loans and overdrafts	<b>(183)</b>	(24)	(24)
<b>Interest receivable and similar income - net</b>	<b>2,585</b>	3,815	10,579

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**5. Employees**

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

	<b>2003</b>	2002 Unaudited	2001 Unaudited
Operations and Engineering	<b>609</b>	607	492
Sales and marketing	<b>76</b>	81	83
Administration	<b>237</b>	142	112
<b>Total</b>	<b>922</b>	830	687

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

	<b>2003</b>	2002 Unaudited	2001 Unaudited
	<b>\$'000</b>	\$'000	\$'000
Wages and Salaries	<b>99,137</b>	85,851	72,865
Social Security Costs	<b>9,303</b>	7,135	5,564
Other Pension Costs	<b>5,461</b>	5,122	3,441
<b>Total</b>	<b>113,901</b>	98,108	81,870

**6. Taxation**

	<b>2003</b>	2002 Unaudited	2001 Unaudited
	<b>\$'000</b>	\$'000	\$'000
UK corporation tax at 30%			
Current tax on income for the year	-	-	-
Adjustments in respect of prior year	<b>997</b>	-	190
	<b>997</b>	-	190
US corporate income tax			
Current tax on income for the year	<b>81</b>	528	228
Adjustments in respect of prior year	<b>(69)</b>	-	171
	<b>12</b>	528	399
Other overseas corporate income tax			
Current tax on income for the year	<b>859</b>	552	407
Adjustments in respect of prior year	<b>157</b>	-	70
	<b>1,016</b>	552	477
Deferred taxation	<b>(461)</b>	-	6
<b>Total corporation tax charge</b>	<b>1,564</b>	1,080	1,072

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

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
<b>Factors affecting tax charge for the year</b>			
Loss on ordinary activities before tax	<b>(84,469)</b>	(235,134)	(231,216)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%, 2001:30%)	<b>(25,341)</b>	(70,540)	(69,365)
Effects of:			
Adjustments for foreign tax – taxable at different rates	<b>(2,898)</b>	341	(273)
Timing differences	<b>14,933</b>	(2,136)	(240)
Permanent differences	<b>610</b>	51,192	50,783
Depreciation for the year in excess of capital allowances	<b>-</b>	4,620	1,335
Tax losses carried forward	<b>13,973</b>	17,448	18,415
Utilisation of tax losses	<b>(504)</b>	(181)	(90)
Adjustments to tax charge in respect of previous periods	<b>1,134</b>	147	431
Minimum taxes	<b>118</b>	189	226
Foreign tax credits	<b>-</b>	-	(156)
Current tax charge for the year	<b>2,025</b>	1,080	1,066

Radianz previously sold tax losses to an associated undertaking in respect of the year 2000 for the consideration of \$895,000. Subsequently, these losses were not utilised by the associate undertaking and returned to Radianz. As a result Radianz repaid the consideration of \$997,000, the difference being due to move foreign exchange differences.

The Group has an unrecognised deferred tax asset of approximately \$76,829,000 (2002: \$35,235,000, 2001: \$16,676,000) that relates to the following:

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Accelerated capital allowances	<b>21,394</b>	10,312	2,402
Tax losses carried forward	<b>51,247</b>	24,923	14,274
Other	<b>4,188</b>	-	-
Unprovided deferred tax	<b>76,829</b>	35,235	16,676

A deferred tax asset has not been recognised since it is not certain that this asset will crystallise in the foreseeable future.

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

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**7. Dividends**

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
6.5% cumulative preference shares	<b>10,270</b>	10,270	10,270

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The preference shares were issued by Radianz Inc., a wholly owned US subsidiary of Radianz Limited, and are held equally by Reuters and Equant, the ultimate shareholders of Radianz Limited (see note 16). Radianz Inc. has appropriated through its profit and loss account preference share dividends for the year on these 6.5% cumulative preference shares of \$10.27 million. However, in accordance with the provisions of Financial Reporting Standard No. 4, as Radianz 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 18).

In 2000, the preference share dividends of \$5.135 million were not credited back within profit and loss account reserves but were included within 'creditors: amounts falling due after more than one year'. These dividends had been credited back within profit and loss account reserves in 2001 (note 18).

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Tangible fixed assets

	Leasehold Property	Leasehold Improvements	Network Equipment	Computer and Office Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
At 1 January 2003	32,600	4,807	276,378	13,487	327,272
Translation differences	-	136	10,421	343	10,900
Additions	1,333	196	44,326	1,067	46,922
Reclassification	(374)	1,125	396	(1,147)	-
Disposals	-	(20)	(11,562)	(1,733)	(13,315)
<b>At 31 December 2003</b>	<b>33,559</b>	<b>6,244</b>	<b>319,959</b>	<b>12,017</b>	<b>371,779</b>
<b>Depreciation</b>					
At 1 January 2003	3,376	513	135,085	6,056	145,030
Translation differences	-	34	5,708	197	5,939
Charged in the year	3,918	779	59,667	3,434	67,798
Impairment	13,043	-	2,302	-	15,345
Reclassification	(58)	474	499	(915)	-
Disposals	-	(20)	(10,413)	(1,669)	(12,102)
<b>At 31 December 2003</b>	<b>20,279</b>	<b>1,780</b>	<b>192,848</b>	<b>7,103</b>	<b>222,010</b>
<b>Net Book Value</b>					
<b>At 31 December 2003</b>	<b>13,280</b>	<b>4,464</b>	<b>127,111</b>	<b>4,914</b>	<b>149,769</b>
At 31 December 2002	29,224	4,294	141,293	7,431	182,242

During the year a fixed asset verification exercise was completed. This resulted in a number of asset reclassifications and assets costing approximately \$13.3 million (NBV \$1.2 million) being written off or retired. The resultant profit and loss change of \$0.1 million is net of a provision relating to fixed assets no longer required.

An impairment review based on the future discounted cash flows resulted in an additional depreciation charge of \$15.3 million relating to assets utilised in Radianz's hosting operations.

Analysis of assets held under finance lease at 31 December 2003

	Leasehold Property	Leasehold Improvements	Network Equipment	Computer and Office Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	-	-	6,335	-	6,335
Accumulated depreciation	-	-	(1,070)	-	(1,070)
<b>At 31 December 2003</b>	<b>-</b>	<b>-</b>	<b>5,265</b>	<b>-</b>	<b>5,265</b>

The Group did not own any assets under finance lease agreements at 1 January 2003.

**RADIANZ LIMITED****NOTES TO THE FINANCIAL STATEMENTS****9. Investments**

	<b>\$'000</b>
<b>Interests in own shares</b>	
<b>Cost</b>	
At 1 January 2003	238,261
Additions in the year	-
<b>At 31 December 2003</b>	<b>238,261</b>
<b>Provision for diminution in value of investment</b>	
At 1 January 2003	238,261
Charged in the year	-
<b>At 31 December 2003</b>	<b>238,261</b>
<b>Net Book Value</b>	
<b>At 31 December 2003</b>	<b>-</b>
At 31 December 2002	-

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 cost of funding and administering the scheme are charged to the profit and loss account of the Group in the period to which they relate.

In October 2001 the Group permitted employees to cancel stock options granted up to 30 September 2001 in exchange for an equal number of new stock options to be awarded in three phases in 2002. The first phase replacement stock options (April 2002) have a vesting schedule that closely approximates that of the cancelled stock options. The second and third phase replacement stock options each have three-year annual vesting schedules. All three phases of replacement stock options have expiration dates of seven years from date of grant in accordance with the Plan. Of the 29.0 million stock options with an exercise price of \$6.81, which were cancelled in October 2001, 19.3 million replacement stock options were issued at an exercise price of \$2.13 per share in April 2002 and two further grants of 4.8 million replacement stock options were issued in July and October 2002 at an exercise price of \$1.92 and \$1.75 per stock option, respectively. During 2003, the Company issued 4.7 million options at an exercise price of \$1.85. Additionally, 7.4 million options were cancelled during 2003 due to employees who resigned or were terminated during the year.

A valuation of the Group is performed by a third party consultancy firm on a quarterly basis in accordance with the terms of the employee stock option agreement. The quarterly valuations continued to decrease in 2002 and the valuation of the Group as of 31 December 2002 was \$435 million. As a result of a continuous decrease in the valuation of the Group during 2002, implying a reduced share price compared to the exercise price of the stock options, the receivable for shares held by the ESOT at 31 December 2002 have been written down to nil resulting in a charge for diminution in value of the investment of \$67.0 million in 2002 (2001:\$64.1 million).

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**10. Debtors**

	<b>2003</b>	2002
	<b>\$'000</b>	Unaudited \$'000
<b>Amounts falling due within one year:</b>		
Trade debtors	<b>11,549</b>	10,825
Amounts owed by associated undertakings		
-trading balances	<b>35,706</b>	156,802
-loan	<b>9,456</b>	10,133
Other debtors	<b>13,548</b>	14,669
Prepayments and accrued income	<b>19,442</b>	8,364
	<b>89,701</b>	200,793
<b>Amounts falling due after one year:</b>		
Amounts owed by associated undertakings – loan	<b>41,793</b>	51,249
	<b>41,793</b>	51,249

**11. Restricted cash**

	<b>2003</b>	2002
	<b>\$'000</b>	Unaudited \$'000
Restricted cash	<b>19,259</b>	33,050

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

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**12. Creditors: amounts falling due within one year**

	2003	2002
	\$'000	Unaudited \$'000
Trade creditors	19,221	11,318
Amounts owed to group undertakings	-	-
Amounts owed to joint venture parents	35,247	165,661
Overseas taxation	1,298	705
Other taxation and social security	13,598	25,449
Other creditors	3,068	1,806
Accruals and deferred income	46,543	41,483
Obligations under finance Leases	14 1,879	-
	<b>120,854</b>	<b>246,422</b>

Amounts due to group undertakings and joint venture parents are unsecured, interest free and repayable on demand.

**13. Creditors: amounts falling due after one year**

	2003	2002
	\$'000	Unaudited \$'000
Obligations under finance leases	14 3,503	-
Other Creditors	110	-
	<b>3,613</b>	<b>-</b>

**14. Finance leases**

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

	2003	2002
	\$'000	Unaudited \$'000
Within one year	1,879	-
Within two to five years	3,503	-
After five years	-	-
Total	<b>5,382</b>	<b>-</b>

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Provisions for liabilities and charges

Group	Deferred tax \$'000	Employee related costs \$'000	Total \$'000
At 1 January 2003	647	1,836	2,483
Currency translation adjustments	-	85	85
Utilised in the year	-	(2,295)	(2,295)
(Released)/ charged to profit and loss account	(461)	1,621	1,160
<b>At 31 December 2003</b>	<b>186</b>	<b>1,247</b>	<b>1,433</b>

The \$1,247,000 (2002: \$1,836,000) provision for employee related costs primarily arises in respect of the pension cost for current employees in the USA and Italy. The deferred tax provision of \$647,000 as at 1 January 2003, which arose in respect of fixed assets contributed by Reuters in the US was released back to the profit and loss in the year. The deferred tax provision of \$186,000 at 31 December 2003 is in respect of timing differences for fixed assets owned in Singapore. The provision was created in 2003.

## 16. Called up share capital

	2003 \$	2002 Unaudited \$
<b>Authorised</b>		
15,800 6.5% cumulative preference shares of \$1 each	15,800	15,800
510 ordinary "A" shares of £1 each	750	750
490 ordinary "B" shares of £1 each	720	720
35,000,000 ordinary "C" shares of £0.000005 each	257	257
	<b>17,527</b>	<b>17,527</b>
<b>Allotted, called up and fully paid</b>		
	2003 \$	2002 Unaudited \$
510 ordinary "A" shares (Reuters) of £1 each	750	750
490 ordinary "B" shares (Equant) of £1 each	720	720
35,000,000 ordinary "C" shares of £0.000005 each	257	257
15,800 6.5% cumulative preference shares of \$1 each	15,800	15,800
	<b>17,527</b>	<b>17,527</b>

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

The rights relating to each class of share in issue at 31 December 2003 are as follows:

- (a) The ordinary "A" and "B" 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 carry one vote per share. No "A" share shall confer any right to vote upon a resolution for the removal from office of a "B" Director (appointed by Equant) and no "B" share shall confer any right to vote upon a resolution for the removal from office of an "A" Director (appointed by Reuters).
- (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 Inc., a wholly owned US subsidiary of Radianz Limited, and are held equally by Reuters and Equant, 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.

**17. Reconciliation of movement in reserves**

<b>Group</b>	<b>Share premium account \$'000</b>	<b>Exchange difference reserve \$'000</b>	<b>Profit &amp; loss account \$'000</b>
<b>At 1 January 2003</b>	878,425	(453)	(614,904)
Retained loss for the financial year	-	-	(96,303)
Preference share appropriations for year ended 31 December 2003 (note 7)	-	-	10,270
Other gains and losses	-	6,664	-
<b>At 31 December 2003</b>	<b>878,425</b>	<b>6,211</b>	<b>(700,937)</b>

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**18. Reconciliation of movement in shareholders' funds**

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Loss on ordinary activities after taxation	<b>(86,033)</b>	(236,214)	(232,288)
Accrued preference dividends payable (note 7)	<b>(10,270)</b>	(10,270)	(10,270)
Loss for the year	<b>(96,303)</b>	(246,484)	(242,558)
Other recognised gains and losses	<b>6,664</b>	571	(1,463)
New ordinary share capital issued	-	-	46,261
Cumulative dividend not yet declared for period ended 31 December 2000 (note 7)	-	-	5,135
Cumulative dividend not yet declared for year ended 31 December (note 7)	<b>10,270</b>	10,270	10,270
Opening shareholders' funds	<b>263,086</b>	498,729	681,084
<b>Closing shareholders' funds</b>	<b>183,717</b>	263,086	498,729
<b>Total shareholders' funds</b>			
	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Equity share capital (including premium)	<b>725,763</b>	725,763	725,763
Non-equity share capital (including premium)	<b>152,680</b>	152,680	152,680
Exchange difference reserve	<b>6,211</b>	(453)	(1,024)
Profit and loss account	<b>(700,937)</b>	(614,904)	(378,690)
Total shareholders' funds	<b>183,717</b>	263,086	498,729
<b>Shareholders' funds allocated to non-equity</b>			
	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Non-equity share capital (including premium)	<b>152,680</b>	152,680	152,680
Cumulative dividend not paid	<b>35,945</b>	25,675	15,405
Total non-equity shareholders' funds	<b>188,625</b>	178,355	168,085

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<b>Shareholders' funds allocated to equity</b>	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Difference between total shareholders' funds and the amount allocated to non-equity interest	<b>(4,908)</b>	84,731	330,644
Made up as follows			
Equity share capital (including premium)	<b>725,763</b>	725,763	725,763
Exchange difference reserve	<b>6,211</b>	(453)	(1,024)
Profit and loss account reserve	<b>(700,937)</b>	(614,904)	(378,690)
Cumulative dividends due to non-equity Shareholders (note7)	<b>(35,945)</b>	(25,675)	(15,405)
<b>Total equity shareholders' funds</b>	<b>(4,908)</b>	84,731	330,644

**19. Reconciliation of operating loss to net cash outflow from operating activities**

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
<b>Operating loss</b>	<b>(87,054)</b>	(171,928)	(177,655)
Depreciation charge	<b>67,798</b>	65,051	55,055
Impairment charge	<b>15,345</b>	833	-
Loss on sale of tangible fixed assets	<b>146</b>	905	3,266
Amortisation of goodwill	<b>-</b>	104,349	104,349
Unwinding of the discount on related party loan	<b>2,367</b>	1,642	866
Decrease/ (Increase) in debtors	<b>123,349</b>	(43,973)	(34,383)
Decrease / (Increase) in restricted cash	<b>13,791</b>	(6,191)	(19,904)
Increase / (Decrease) in trade creditors	<b>7,611</b>	(1,330)	6,414
(Decrease)/ Increase in accruals, deferred income and other creditors	<b>(136,553)</b>	39,793	60,563
Others	<b>(572)</b>	(267)	649
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,228</b>	(11,116)	(780)

The 2002 and 2001 comparatives have been restated to reflect current year treatment.

**20. Reconciliation of net cash flow to movement in net funds**

	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Decrease / (increase) in cash in the year	<b>(35,180)</b>	32,921	(7,610)
Cash flow movement from lease financing	<b>(953)</b>	-	-
Cash inflow from sale of short term investments	<b>-</b>	(140,042)	(90,725)
Currency Translation Adjustments	<b>(382)</b>	838	(197)
<b>Net funds at 1 January</b>	<b>44,657</b>	150,940	249,472
<b>Net funds at 31 December</b>	<b>8,142</b>	44,657	150,940

The 2002 and 2001 comparatives have been restated to reflect current year treatment.

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	Cash \$'000	Obligations under finance leasing \$'000	Net Funds \$'000
At 1 January 2003	44,657	-	44,657
New obligations under finance Leases	-	(6,335)	(6,335)
Cash flow	(35,180)	953	(34,227)
Currency Translation Adjustments	(382)	-	(382)
<b>At 31 December 2003</b>	<b>9,095</b>	<b>(5,382)</b>	<b>3,713</b>

No obligation under finance leases existed 2002 and 2001.

**21. 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 \$5.5 million (2002: \$5.1 million, 2001: \$3.4 million). Approximately \$1.5million (2002: \$1.9 million) of pension contributions were payable at the year end to the Group's scheme in relation to US employees.

2003	Reuters \$'000	Equant \$'000	Radianz \$'000	Total \$'000
Defined Contribution	1,381	43	1,567	2,991
Defined Benefit	2,081	369	20	2,470
<b>Total Pension charge 2003</b>	<b>3,462</b>	<b>412</b>	<b>1,587</b>	<b>5,461</b>

2002 Unaudited	Reuters \$'000	Equant \$'000	Radianz \$'000	Total \$'000
Defined Contribution	1,216	379	1,951	3,546
Defined Benefit	1,499	-	77	1,576
<b>Total Pension charge 2002</b>	<b>2,715</b>	<b>379</b>	<b>2,028</b>	<b>5,122</b>

2001 Unaudited	Reuters \$'000	Equant \$'000	Radianz \$'000	Total \$'000
Defined Contribution	810	40	845	1,695
Defined Benefit	1,400	346	-	1,746
<b>Total Pension charge 2001</b>	<b>2,210</b>	<b>386</b>	<b>845</b>	<b>3,441</b>

New employees are eligible to join the defined contribution plans.

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

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Defined Contribution Plans**

A number of Radianz employees participate in a defined contribution plan in Australia. The Group contributes a fixed percentage of each employee's salary.

Reuters operates 32 defined contribution plans of which Radianz staff are members. Members of these plans contribute 6% of basic salaries and Radianz is required to make an annual contribution of 9.525% of members' basic salaries regardless of the funding status of the plan. The Group does not have the ability to recover assets held by the plan, nor can it be required to make additional payments to the plan over and above the annual contributions referred to above. Custodial responsibility for the assets of the plan rests with two substantial independent UK investment managers.

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. The Group matches a percentage of each employee's contributions. In certain territories the Group contributes a fixed percentage of each employee's salary to local schemes based on local requirements in that country.

**Defined Benefit Plans**

A number of Radianz employees participate in Reuters and Equant defined benefit plans.

Equant 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. The two largest defined benefit arrangements are in the United Kingdom and Japan.

Reuters operates 33 defined benefit plans of which a number of Radianz staff are members. They 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. Where necessary, additional provisions have been established for Reuters plans in accordance with UK Statement of Standard Accounting Practice 24 based on independent actuarial advice.

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.

Actuarial valuations of the Reuters Group PLC scheme were carried out at various dates between 31 December 2001 and 31 December 2002 and updated to 31 December 2003 by independent qualified actuaries in accordance with FRS17. As at 31 December 2003 a deficit of \$49 million was identified. There was a deficit of \$9.7 million on the Equant schemes as at 31 December 2001. The annual amount of contributions to these schemes is agreed with the trustees annually.

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

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**22. Operating lease commitments**

At 31 December 2003 and 2002 the Group had annual commitments under non-cancellable operating lease agreements, in respect of properties, expiring as follows:

	<b>2003</b>	2002
	<b>Land and buildings</b>	Land and buildings
	<b>\$'000</b>	Unaudited \$'000
<b>Annual commitments under non-cancellable operating leases expiring:</b>		
Within one year	<b>90</b>	114
Within two to five years	<b>1,690</b>	4,047
After five years	<b>9,783</b>	6,851
Total	<b>11,563</b>	11,012

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**23. Capital commitments**

	<b>2003</b>	2002
	<b>\$'000</b>	Unaudited \$'000
Contracts placed for future capital expenditure not provided in the financial statements	<b>1,306</b>	-

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**RADIANZ LIMITED****NOTES TO THE FINANCIAL STATEMENTS****24. 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 2003 are as follows (in thousands):

Years ending 31 December,	Minimum Commitments
2004	41,568
2005	35,047
2006	21,847
	<hr/>
Total future purchase commitments	98,462

The Group incurred expenses of \$80.0 million and \$76.5 million in 2003 and 2002, respectively for such services.

**25. Related party transactions**

Related party transactions with related parties in the year are as follows:

Group	1 January 2003 \$'000	Amounts Invoiced \$'000	Amounts (collected) / paid \$'000	31 December 2003 \$'000
<b>Amounts receivable</b>				
Reuters – trading	154,595	521,436	(642,874)	33,157
Equant – trading	2,207	2,342	(2,000)	2,549
Equant loan	61,382	-	(10,133)	51,249
	<hr/>			
Total amount receivable	218,184	523,778	(655,007)	86,955
	<hr/>			
<b>Amounts payable</b>				
Reuters	121,521	125,912	(222,232)	25,201
Equant	44,140	96,061	(130,155)	10,046
	<hr/>			
Total amount payable	165,661	221,973	(352,387)	35,247

Revenue from related parties relate 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 its parent companies 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.

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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The NSA with Reuters has an initial term ending on July 1, 2005 and thereafter remains in full force and effect for successive one-year periods unless terminated by either party. Either party can terminate the NSA after the end of the initial term by one party giving to the other party not less than six months notice which expires at the end of the initial five-year period or any subsequent renewal year. Under the terms of the NSA agreement, on termination the Group will provide reasonable assistance to Reuters to ensure that Reuters can migrate the services currently provided by the Group to a third party company.

Under the terms of the Shareholder Agreement and the Network Services Agreement both Equant and Reuters have certain rights in relation to the performance of both parties with respect to non-compete and other provisions. Upon a breach of the agreements, under certain conditions, each party has remedies including, but not limited to, call provisions including rights to acquire the equity interests of the other or to dissolve the joint venture itself.

Each shareholder has indicated to the Group that in its opinion it is not in breach of the agreements mentioned above.

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.

**26. Litigation**

During 2003, Radianz received written notification that a number of formal charges, alleging employment discrimination based on race had been filed by a number of current and former employees of Radianz against Radianz with the U.S. Equal Employment Opportunity Commission and/or the New York State Division of Human Rights.

As of 19 May, 2004, Radianz has settled the majority of the outstanding claims and has fully provided for any costs that may arise as a result of the remaining claims. These costs are recorded in the Administration expenses in the profit and loss account.

**27. Post Balance Sheet Event**

Subsequent to 31 December 2003 as part of Radianz's strategy to provide continued focus on its core Extranet business, Radianz made the decision to sell the Voice Services line of business, which is currently being marketed. The revenue of this business was approximately \$17 million during the year ended 31 December 2003 and the net asset value of this business was approximately \$2.5 million at 31 December 2003.

In March 2004, as part of a review of its business and operational strategy, Radianz announced a voluntary redundancy program. It is expected that this program will result in a reduction of approximately 10% in the 2004 Company headcount. Redundancy costs in 2004 are expected to amount to approximately \$5 million.

**RADIANZ LIMITED****NOTES TO THE FINANCIAL STATEMENTS****28. Subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2003, all of which are included in the consolidated financial statements, are shown below.

A proportion of shares in Radianz France SA, 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.

<b>Name of undertaking</b>	<b>Country of incorporation</b>	<b>Description of shares / interest held</b>	<b>Proportion of nominal value of issued shares held</b>	<b>Principal activity</b>
Radianz Global Limited (formerly Radianz Europe 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 SA	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	Portugal	Sole ownership interest	100%	Trading

Lda

Radianz Belgium  
Sprl

Belgium

Sole ownership interest

100%

Trading

R32

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

<b>Name of undertaking</b>	<b>Country of incorporation</b>	<b>Description of shares / interest held</b>	<b>Proportion of nominal value of issued shares held</b>	<b>Principal activity</b>
Radianz Netherlands BV	Netherlands	Sole ownership interest	100%	Trading
Radianz Spain SL	Spain	Sole ownership interest	100%	Trading
Radianz Luxembourg	Luxembourg	Sole ownership interest	100%	Trading
Radianz Sweden AB	Sweden	Sole ownership interest	100%	Trading
Radianz US Holdings	USA	Ordinary 1 cent shares	100%	Inactive
Radianz Canada Inc	Canada	Common share of CAN\$1	100%	Inactive

**29. Summary of differences between UK and US General Applied Accounting Principles (GAAP)****Accounting Principles**

These consolidated financial statements have been prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. A description of the relevant accounting principles, which differ materially, is given below.

**a. Revenue recognition**

Upon formation of the company, Equant Finance BV (“Equant”) agreed to transfer certain existing Equant customer contracts to Radianz Limited (the “Company”) and its subsidiaries (collectively “Radianz” or the “Group”). Under the terms of the agreement between Equant and Radianz, when Equant is unable to obtain the customer’s consent to transfer the contracts, and Equant continues to provide service, Equant is required to contribute to Radianz the equivalent annual economic interest that, notionally, would have accrued to Radianz had the contract been transferred. Under US GAAP this contribution is treated as a capital contribution from Equant. Under UK GAAP, this is recognised as revenue.

**b. Employee costs**

Some Radianz employees, who transferred from Reuters and Equant at the time the Company was established, retained the rights to certain unvested share options granted by the Parents at the time of the employees transfer to Radianz. Under US GAAP, the share option expense relating to the fair value of these options is recognised as non cash compensation over the vesting periods of the grants. Under UK GAAP, no expense is recognised.

**c. Goodwill**

Under UK GAAP, the estimated excess fair value of the shares issued upon formation of the Company over the estimated fair value of the assets and cash contributed was recorded as goodwill on the balance sheet. Goodwill is amortised over its estimated useful economic life. Under US GAAP, the value of shares issued is recorded by reference to the fair value of the net assets contributed.

**RADIANZ LIMITED****NOTES TO THE FINANCIAL STATEMENTS****d. Shares held by employee share ownership trust (ESOT)**

Under UK GAAP, shares held by the ESOT are recorded as fixed asset investments at cost less any impairments. As at 31 December 2002, a full provision had been recorded against such amounts in the financial statements prepared under UK GAAP. Under US GAAP, those shares held by the ESOT are regarded as treasury stock and recorded at cost as a deduction from shareholders' equity, with no provision for impairment recorded.

**e. Discounted Equant Receivable**

Upon formation of the company, Radianz entered into a contractual agreement with Equant, which entitles Radianz to \$125 million of telecommunications, and general and administrative services over a period of up to 10 years. Radianz is entitled to utilise up to \$12.5 million of these services annually from Equant under certain conditions. Under UK GAAP, this asset was recorded as a receivable within current assets at its net present value of \$90 million, using a discount rate of 6.9% and the annual entitlement is expensed as the services are received. Interest is recognised in the profit and loss account as the discount on the receivable is unwound. Under US GAAP, the discounted receivable was recorded as a capital contribution and the unwinding of the discount credited to additional paid in capital, and the annual entitlement expensed as the services are received.

**f. Taxation**

Under the terms of the joint venture agreement, Reuters agreed to reimburse Radianz for any share of the tax loss incurred by Radianz subsequently utilized by Reuters. Under UK GAAP, this is offset in the taxation charge for Radianz. Under US GAAP, this is shown as additional paid in capital of the company.

<b>Adjustments to net loss</b>	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
<b>Net loss in accordance with UK GAAP</b>	<b>(86,033)</b>	(236,214)	(232,288)
a. Revenue recognition	<b>(2,000)</b>	(2,000)	(2,200)
b. Employee costs	<b>1</b>	1,996	(2,871)
c. Goodwill	-	104,349	104,349
d. Impairment of ESOT shares	-	67,021	64,140
e. Interest - Equant receivable	<b>(2,367)</b>	(1,642)	(866)
f. Taxation	<b>895</b>	-	190
<b>Net loss in accordance with US GAAP</b>	<b>(89,504)</b>	(66,490)	(69,546)
<b>Statement of comprehensive loss</b>	<b>2003</b>	2002	2001
	<b>\$'000</b>	Unaudited \$'000	Unaudited \$'000
Net loss in accordance with US GAAP	<b>(89,504)</b>	(66,490)	(69,546)
Other comprehensive income:			
Foreign currency translation adjustment, net	<b>6,662</b>	571	(1,463)
<b>Comprehensive loss in accordance with US GAAP</b>	<b>(82,842)</b>	(65,919)	(71,009)

## RADIANTZ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Adjustments to shareholders' equity	2003	2002	2001
	\$'000	Unaudited \$'000	Unaudited \$'000
<b>Net assets in accordance with UK GAAP</b>	<b>183,717</b>	263,086	498,729
c. Goodwill	-	-	(104,349)
d. Investment in own shares/ESOT	-	-	(67,021)
e. Discounted Equant receivable	<b>(51,249)</b>	(61,382)	(72,240)
<b>Net assets in accordance with US GAAP</b>	<b>132,468</b>	201,704	255,119

**Cash flow statement**

The principal differences between the cash flow prepared in conformity with UK GAAP and the cash flow statements presented in accordance with US GAAP are as follows:

- Under UK GAAP, net cash flow from operating activities is determined before considering cash inflows from (a) returns on investments and servicing of finance (2003: \$0.2 million, 2002: \$2.6 million, 2001: \$12.1 million), (b) taxes paid or received (2003: \$2.1 million paid, 2002: \$0.38 million received, 2001: \$0.6 million paid). Under US GAAP, net cash flow from operating activities is determined after these items.
- Under UK GAAP, the purchase of Radianz shares by an ESOT (2003: \$nil, 2002: \$nil, 2001: \$46.3 million) is classified as investing activities whereas under US GAAP, this is classified as financing activities.
- Under UK GAAP, movements in short-term investments (2003: \$nil, 2002: \$140.0 million, 2001: \$90.7 million) 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 are included in cash and cash equivalents.

	Notes	2003	2002	2001
		\$'000	Unaudited \$'000	Unaudited \$'000
Net cash inflow/ (outflow) from operating activities	1	<b>4,382</b>	(8,519)	10,851
Net cash outflow from investing activities	2	<b>(38,609)</b>	(98,602)	(109,186)
Net cash inflow/ (outflow) from financing activities		<b>(953)</b>	-	-
Net (decrease)/increase in cash and cash equivalents under US GAAP	3	<b>(35,180)</b>	(107,121)	(98,335)
Net (decrease)/increase in cash under UK GAAP		<b>(35,180)</b>	32,921	(7,610)

**RADIANZ LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Recent Accounting pronouncements**

In January 2003, the FASB issued Interpretation 46, Consolidation of Variable Interest Entities. A variable interest entity is a legal entity (a) whose equity interest holders as a group lack the characteristics of a controlling financial interest, including: decision making ability and an interest in the entity's residual risks and rewards or (b) where the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support. Interpretation 46 requires a variable interest entity to be consolidated if any of its interest holders are entitled to a majority of the entity's residual return or are exposed to a majority of its expected losses. This party is referred to as the primary beneficiary.

In December 2003, the FASB issued FASB Interpretation 46(R), Consolidation of Variable Interest Entities. FIN 46(R) replaces FIN 46 and clarifies the accounting for interests in variable interest entities. The company will begin to apply FIN 46 (R) to entities considered to be variable interest entities as of the first date of its first US GAAP balance sheet presented for periods ended after December 31, 2003. The Company does not expect that the adoption of FIN 46(R) will have a material affect on its financial statements.

In November 2002, the EITF reached a consensus on Issue 00-21 Revenue Arrangements with Multiple Deliverables ("EITF 00-21"), providing further guidance on how to account for multiple element contracts. EITF 00-21 is effective for all arrangements entered into on or after January 1, 2004. The Company does not anticipate a material impact on its accounting treatment of multiple element contracts under US GAAP.

## Exhibit Index

- 1.1 Memorandum and Articles of Association of Reuters Group PLC (incorporated by reference to Exhibit 1.1 to the Annual Report on Form 20-F filed by Reuters Group PLC with respect to the fiscal year ended 31 December 2001).
- 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 Registration and Repurchase Agreement dated October 7, 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, and Exhibits 10.2 through 10.5 to the Quarterly Report on Form 10-Q filed by SAVVIS on 30 October 2003).
- 4.4\* Transitional Services Agreement dated 2 June 2003 between Reuters Limited and Moneyline Telerate Holdings (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
- 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 Agreement and Plan of Merger, dated 9 June 2002, among Instinet Group Incorporated, Daiquiri Merger Corporation and Island Holding Company, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 000-32717) filed by Instinet Group Incorporated on 14 June 2002).
- 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 (incorporated by reference to Exhibit 4.6 to the Annual Report on Form 20-F filed by Reuters Group PLC with respect to the fiscal year ended 31 December 2001).
- 4.12\* Rules of the Reuters Group PLC Discretionary Stock Option Plan, as amended
- 8.1 See Note 32 of the Notes to the Consolidated Financial Statements of Reuters Group PLC contained in the Annual Report.
- [10.1 Consent of PricewaterhouseCoopers for incorporation by reference in the Registration Statements on Form S-8 of Reuters Group PLC of their report dated 3 March 2004](#)
- [12.1 Certification of Thomas H. Glocer filed pursuant to 17 CFR 240.13a-14\(a\)](#)
- [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](#)

\* 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.

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## 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 2004

Reuters Group PLC  
(Registrant)

By /s/ Thomas H Glocer  
Thomas H Glocer  
Chief Executive

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**PricewaterhouseCoopers LLP**  
1 Embankment Place  
London WC2N 6RH  
Telephone +44 (0) 20 7583 5000  
Facsimile +44 (0) 20 7822 4652

The Directors  
Reuters Group PLC  
85 Fleet Street  
London EC4P 4AJ

30 June 2004

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 33-16927, No. 33-90398, No. 333-59981, No. 333-57266 and No. 333-104065) of Reuters Group PLC of our report dated 3 March 2004 relating to the financial statements of Reuters Group PLC, which appears in this Annual Report on Form 20-F.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
London, England

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

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## CERTIFICATIONS

I, Thomas Henry Glocer, certify that:

1. I have reviewed this amendment to the annual report on Form 20-F, as amended, 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 2004

By /s/ Thomas H Glocer

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Thomas H Glocer  
Chief Executive

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## CERTIFICATIONS

I, David John Grigson, certify that:

1. I have reviewed this amendment to the annual report on Form 20-F, as amended, 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 2004

By /s/ David J Grigson

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David J Grigson  
Finance Director

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

I, Thomas Henry Glocer, Chief Executive 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, 2003, as amended (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 2004

By /s/ Thomas H Glocer

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Thomas H Glocer  
Chief Executive

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**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, Finance Executive 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, 2003, as amended (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 2004

By /s/ David J Grigson

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David J Grigson  
Finance Director

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